

## Battle for oil may lead to war, says minister

A scramble for oil could end in a world war, David Howell, the Energy Secretary, said today. The developed world's dependence on oil is being drastically reduced. In Washington he feared that Congress's rejection of an oil tax might prevent President Carter from attending the Venice economic summit to call for international oil conservation.

## Vest must cut back on Gulf supplies

Mr Howell's remarks come only days before members of the Organization of Petroleum Exporting Countries (Opec) meet in Algiers to discuss future pricing policy. He gave a warning that it would take the Western economies, built on cheap oil, many years to adjust to the changed world of tight supplies and rising prices.

This dependence on oil cast a triple shadow across hopes for world stability and peace. It put pressure on supplies and caused damage to Western economies. Enormous pressures were placed on British society by the need to absorb large price increases.

## arter foreign policy t by oil-tax defeat

Mr Howell said that it was necessary to escape from the oil trap, with the cooperation of other Community members, the United States and Japan. The International Energy Agency offered an appropriate forum.

## Lord to itor ne taps

Emery Editor Diplock, a senior law chairman of the secret Commission was appointed by the Prime to be the "continuous" monitor of that communications inter- which is authorized by Secretary.

Decision to appoint a new editor was announced by Mr Whitelaw, the Home Secretary, on April 1. It was the sole authority of the Home Secretary, and not the extent of telephone by disclosures in the telegram.

## Condition of two West Bank mayors worsens

The condition of the two Palestinian mayors, named in car bomb attacks on Monday, has deteriorated. Mr Shaka, who had to have both legs amputated, was transferred to Jordan for further emergency treatment. There are growing fears in Israel that the West Bank could either of the mayors die. Many Israelis have been shocked by unprecedented government moves to stop Arab shopkeepers striking in protest against the bombings.

## Union's nuclear call

The Transport and General Workers' Union wants to force a wider debate in the Labour movement on the deployment of nuclear weapons in Britain. At the Trades Union Congress in September it is to call for unilateral nuclear disarmament, a subject that divided the Labour Party in the 1960s.

## Ultimatum for island

Father Walter Lini, Chief Minister of the New Hebrides, has issued a 24-hour ultimatum to Mr Jimmy Stevens, the secessionist leader, to begin negotiations to end the rebellion on Espiritu Santo island. Father Lini backed the ultimatum by threatening police action.

## US links with China

By the end of the year the United States and China will have underpinned their relationship with a series of new economic, cultural, scientific and technological agreements.

## Defiant Botham hits 57

Ian Botham hit a top score of 57 as England reached 243 for 7 on the first day of the Cornhill Test against the West Indies at Nottingham. Andy Roberts and Joel Garner took three wickets apiece.

## Closed shop ruling goes against BR and Britain

By Ian Bradley  
The European Commission of Human Rights has found that the dismissal of British Rail of three men because they refused to join a trade union contravenes the European Convention on Human Rights. The commission's report, published yesterday, has already been sent to the European Court of Human Rights. The United Kingdom Government, defendants in the case brought by the three dismissed railwaymen, has now been arraigned before the court and it is expected that the case will be heard by the three judges in Strasbourg this autumn. A date for the hearing has not yet been announced.

The commissioners' findings, by a majority of 14 to 3, will inevitably swell the chorus of Conservatives calling for the Employment Bill now going through Parliament to further restrict the operation of the closed shop.

Both the Prime Minister in the House of Commons and the Lord Chancellor in the House of Lords insisted that the Bill as it stands fully meets the requirements of the European Convention, to which Britain has been a signatory since 1950.

However, a group of Conservative and crossbench peers, led by Lord De L'Isle, maintain that the Bill does not sufficiently restrict closed shop action to meet the terms of the convention. They have tabled an amendment to the Bill which will be debated in the House of Lords next week, which they believe would bring the measure within the convention.

The three men in whose favour the commission has found are Mr Roger Webster, aged 67, a retired clerical officer from Tunbridge Wells, Kent; Mr Noel James, aged 51, formerly a leading railwayman from Havant, Hampshire; and Mr John Young, aged 27, formerly a clerical officer and now a law student from South-east London.

All were dismissed by British Rail in 1976 because they refused to comply with a management-union agreement that only members of recognized unions be employed.

Such a closed shop agreement is permissible under the terms of the Trade Union and Labour Relations Acts of 1974 and 1976, which laid down that employees could only obtain exemption from a closed shop agreement if they belonged to religious denominations which proscribed members from joining unions.

The three men took their case to the European Commission of Human Rights in 1976. They submitted that the enforcement of the two Acts, in allowing their dismissal from employment because they objected on reasonable grounds to join a trade union, interfered with their freedom of thought, conscience, expression and association with others. As such, they argued that the Government was in breach of the European Convention on Human Rights.

Since 1978 their case has been backed by the Freedom of Association, formerly the National Association for Freedom, which has fought several legal cases against trade unions. The association has spent £39,000 on this case.

In their report, the 20 European commissioners have found that the railwaymen's case violated Article 11 of the convention. This article states that every one has the right to freedom of association.



A pile of the late Sir Cecil Beaton's hats in his home, Reddish House, near Salisbury, whose contents are being auctioned next week.

## Lightning kills 2 boys as fine spell ends

Two schoolboys were killed by lightning yesterday as violent storms swept Britain. Gary Robinson, aged 14, of Rimington Avenue, Farnborough, Hampshire, was struck while walking between classrooms at Moorhead High School, Accrington. Five other pupils were slightly hurt.

Christopher Bird, aged 13, of Anglesey Road, Brownhills, Staffordshire, was killed on the playing field at Brownhills Comprehensive School during athletics practice. Wayne Rose, aged 12, of Dingle Road, Claydon, Norfolk, was killed at 12, of Chapel Avenue, Brownhills, and Julie Davis, aged 12, of London Drive, Brownhills, were taken to hospital with burns.

Describing the Accrington incident last night, Mr Ralph Bailey, headmaster of Moorhead High School, said: "We are all terribly shocked. The pupils had been standing in a group having a chat when the lightning struck. One of my staff saw them all fall to the ground."

"Two physical education teachers were in a building alongside. They were able to start resuscitation within seconds. They did all they could."

Mr Bailey, whose school has 1,100 pupils and is built on high ground above the town centre, also praised ambulance men who came from Accrington Victoria Hospital half a mile away. "They were here within three minutes," he said.

The storms which swept in from the Atlantic had earlier wrecked a caravan site at Nairn, near Inverness. Nine people were taken to hospital.

Torrential rain, hailstones and winds overturned and wrecked more than 40 caravans. Traffic was forced to halt on flooded roads.

Seven of those injured were treated for minor injuries at the Town and Country Hospital, Nairn. Two others, more seriously hurt, were transferred to Raigmore Hospital, Inverness.

Mr George Fulton, from Glasgow, said: "We were just sitting watching the rain. It was quite entertaining, when suddenly there was a terrific crash and we saw that the caravan next to us had been blown into our two cars."

"The windows flew out, and as we leant across the close then the caravan tipped on its side. We dashed out to see if the rest of the family next door were safe and saw that another van had been blown 20ft and had smashed into the side of it."

The storms were blamed by a spokesman at the London Weather Centre on a trough moving in from the West.

Forecast, page 2

## 30 held in police sweep after robberies

By Stewart Tendler  
Crime Reporter  
Thirty men and women were being questioned by detectives last night after a two-month investigation into up to 100 robberies and conspiracies stretching from Liverpool to London and involving several hundred thousand pounds.

"Operation Carter", spearheaded by officers from the regional crime squad based at Hatfield, Herefordshire, and aided by the latest major criminal informant, or "super grass", culminated early yesterday in a large police sweep.

One hundred and fifty officers drawn from seven regional crime squad officers, local forces and the Metropolitan police raided addresses in Bristol, Swansea, Hertfordshire, Essex, London and the Thames Valley area.

Twenty-seven men and three women were arrested, and money, jewelry and other items were seized for identification. The people arrested were taken to Reading before being dispersed to police stations near by for questioning.

## Heart man dies after 10 weeks

A man who received a new heart 10 weeks ago collapsed and died yesterday as he prepared to leave hospital.

Another man, who received the heart of a boy on Wednesday, was unconscious in a different hospital last night.

The dead man was Mr John Power, aged 36, Britain's fifth heart transplant patient. He had been transferred from Papworth Hospital, where he received his new heart, to Wythenshawe Hospital, Manchester.

That was so he could get ready to go home at the weekend. Earlier this week he said he was looking forward to riding his bicycle.

Mr Power had a heart transplant three weeks after being told by doctors that he had just a year to live. He was operated on by Mr Terence English and his team.

The staff at the Wythenshawe Hospital put up a tremendous fight to save Mr Power's life. He had eaten lunch and was in his private room when he was taken ill.

A hospital spokesman said: "He was being looked after when he seemed to collapse. Doctors and nurses pushed to the room and put the emergency procedure into effect in an attempt to resuscitate him, but regrettably it failed."

"The man still unconscious is Mr Andrew Peterson, who received the heart of a 16-year-old boy who died of injuries suffered in a road accident."

Mr Peterson, at 22, Britain's youngest heart transplant patient, is in an intensive care unit at Papworth Hospital, Cambridge.

Mr English carried out the operation at Papworth after flying to Birmingham to remove Trevor's heart.

A hospital bulletin last night said Mr Peterson was "as well as can be expected considering his critical condition when he came into hospital."

## Police hold four over bomb blast

Officers from Scotland Yard's anti-terrorist squad were last night questioning four men in connection with the bomb blast at Carford police station, London, in which a young police constable lost a hand.

Scotland Yard said the men were being interviewed at Rochester Road police station and that there was "no political connexion" with the bombing.

Police Constable Stephen Hickling, aged 19, was seriously injured when a torch he picked up and switched on at the Carford station blew up. He has been discharged from hospital. The fund opened for him has reached £68,000.

## 4 in court today on bullion chage

Four men will appear at Highgate magistrates' court, London, today, charged with armed robbery in connection with the £3m silver bullion raid at Barking, Essex, in March, Scotland Yard said last night.

## New battle over EEC withdrawal may be Labour's fiercest yet

By Michael Hatfield  
Political Reporter

Labour is heading for another set-piece battle over Britain's continued membership of the European Economic Community which could put the recent debate over incomes policy in the shade.

Anti-market forces led by Mr John Silkin, Opposition spokesman on industry and a likely contender for the party leadership, gave notice yesterday of a motion to be put to the party conference which would commit the next Labour government to withdrawal.

Whether the motion would get the required number of votes to be put to the party conference, which would commit the next Labour government to withdrawal, is not clear. But there is no doubt that its terms have hit the fuse for another internal struggle.

Dr David Owen, a prominent pro-market leader and shadow spokesman on energy, said: "For the Labour Party to commit itself now or at the party conference to an attitude to our continued membership in 1983 or 1984 is an act of folly, but it is more than that. It is a deliberately divisive decision within the party. It must be resisted and fought."

Mr James Callaghan, Leader of the Opposition, took the latest threat to party unity in his stride last night. He believes the EEC to be an unsatisfactory institution and that divisions on the issue can be expected when the party is in opposition. He shares the doubts of others, however, that most unions would back such an uncompromising motion.

The motion was drafted by the Labour Common Market Safeguards Committee, which includes among its sponsors Mr Michael Foot, Mr Peter Shore, Mr Wedgwood Benn and 100 Labour MPs but it became clear last night that not all of them necessarily agree with its terms and that some had not been shown the motion.

Mr Foot said that he had not had time to study the motion

or the document that accompanied it. Mr Benn said that he was the chairman of a national executive sub-committee which was examining the issue of withdrawal and would not want to commit himself in advance of its findings.

Mr Benn, who is to make a speech on Saturday on the EEC, pointed out that the motion included proposals which were already party policy, that a future Labour government would return sovereignty to the Westminster Parliament by repealing section two of the European Communities Act; and that Britain would work for peaceful and equitable relations with all the nations of Europe and the rest of the world.

He agreed that a motion instructing the "national executive" to include in the manifesto for the next general election a commitment "to disengage Britain from the EEC institutions" went further than any other motion put to the conference.

Some of Mr Silkin's Shadow Cabinet colleagues believe that he has put down his marker for the leadership with the hope of bringing the anti-market forces into his camp.

When questioned on ITN's News at One, he said that whether he stood for the leadership would depend on whether Callaghan decided to retire. "I might be too old", he said.

Dr Owen said in his counter-attack that membership of the Community was undoubtedly unpopular in terms of public opinion, but there were many policies which Labour advocated knowing that they were unpopular.

"Cumulatively, the Labour Party is adopting policies that are alienating a large section of the electorate, but it will be a new and savage twist to the loyal Labour members and voters to choose between the best interests of their party and the best interests of their country," he said.

Giscard doubts, page 7



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## HOME NEWS

# Granada TV wins right of Lords appeal over order to name person who leaked steel papers

By Frances Gibb

Granada Television yesterday won leave to challenge in the House of Lords a Court of Appeal ruling that they must name the person who gave them confidential documents about the British Steel Corporation. The case will be heard on July 14 or 15.

Lord Diplock, Lord Keith of Kinkaid and Lord Scarman, sitting as the House of Lords Appellate Committee, granted Granada leave to appeal on what Lord Diplock said was "a matter of public importance and apparently public interest".

Petition for leave to appeal was opposed by Mr Leonard Hoffmann, QC, for British Steel, who said the corporation needed the name of the person who leaked the documents as a matter of "considerable urgency".

"British Steel is faced with making important decisions at the moment, and its highest officers are unable to have frank discussions among themselves because they do not know whom to trust."

In addition, Mr Hoffmann said, since the leak to Granada Television, there had been further leaks in the past few weeks to the newspaper, *Financial Weekly*. British Steel had obtained undertakings from the publication about further dissemination of information. But the question of identity of the source was being held up pending the outcome of a five-page appeal.

The confidential documents given to British Steel formed the basis of a programme, "The steel papers", broadcast during the steel strike earlier this year. It argued that British Steel's difficulties were not only the result of low productivity, but also of poor management.

British Steel is suing Granada Television for the name of the source. The Court of Appeal upheld a High Court ruling that the name be revealed, because, it said, Granada had acted irresponsibly and therefore forfeited its right to immunity from disclosure.

Mr Hoffmann told the House of Lords committee that there should be no further appeal because Granada had won its main point in the lower court.

namely, that the courts should exercise discretion on the ground of public interest whether to order disclosure.

The lower courts had exercised that discretion in favour of British Steel, he said. The only point that remained was one of fact, whether Granada had behaved badly over handling the document.

Granada had laid great stress on the fact that it had behaved responsibly, he said. But that was a marginal issue. "What we are concerned with is the behaviour of a British Steel employee, and whether in the name of justice we ought to have his identity disclosed."

Mr Patrick Neill, QC, for Granada Television, did not agree that the company had won its case in substance in the lower courts. On the one hand, the courts had granted that the press had immunity over disclosure of sources, and on the other hand, had taken that immunity away on the grounds that there had been a breach of confidence; the very circumstances in which immunity would be required, Mr Neill said.

In addition to what union leaders see as the need for the unemployed to be properly represented when they are no longer members of unions, is the fear that with rising unemployment union membership will fall. Several unions, particularly the TUC, are already experiencing a fall in membership.

Mr Jenkins put up the idea to the TUC's "inner cabinet" the finance and general purposes committee, where it was rejected. The committee's leaders instructed TUC staff to prepare detailed reports.

A special weekend meeting will probably be called to discuss the outcome of the TUC's investigations, and ASTMS is expected to motion before conference in September calling for change to be made.

If the plan is adopted, the TUC's new role as a pressure group would be carried out alongside its present function of representing the views of affiliated unions.

It would probably be necessary to set up a network of regional officers but it is not clear what the TUC's relationship would be with existing pressure groups such as those representing pensioners and the disabled.

Mr Abse said the document stated: "The scale and rapidity of the necessary reduction in South Wales is of a magnitude never encountered before in a relatively small geographical area, superimposed as these reductions are on those associated with the recent closure of the East Moors and Ebbw Vale plants etc."

It continued: "A strong and growing reaction has been generated to what is seen to be a wide section of people inside and outside the corporation a grossly unfair transfer of business and employment from South Wales to the north."

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## Union heads studying plan for new TUC role

By David Felton

Plans are being studied by senior union officials which could fundamentally change the philosophy of the Trades Union Congress and turn it into a quasi-political party.

The idea, which has been welcomed by senior union leaders, is for the TUC to become a constituent body and seek direct members among the unemployed, disabled and pensioners. Members would pay annual subscriptions and would carry a TUC card.

The TUC would then negotiate directly with the Government on matters such as social security and unemployment benefits and represent the views of minority groups.

Mr Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs, who suggested the idea to his TUC colleagues, said yesterday that it could eventually have a membership of more than three million.

Mr Jenkins's plan is to establish what he described as "a social wage forum" with the views of the unemployed being represented by a group of representatives of which they were members.

In addition to what union leaders see as the need for the unemployed to be properly represented when they are no longer members of unions, is the fear that with rising unemployment union membership will fall. Several unions, particularly the TUC, are already experiencing a fall in membership.

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## High fashion leads to animals' extinction, shops told

By Robin Young

Friends of the Earth went on safari through Knightsbridge, London, yesterday, hunting our products which were made with skins, hides or parts of endangered animals.

The hunt met, extrajudicially, with a pith helmet, khaki shorts, bush-shirts and jungle boots, at the gates of the wacky hunting ground known as Harrods. None of the hunters was armed with anything more threatening than cameras, binoculars, lenses and a guide with slogans such as: Help Extinction—Shop Here.

The natives proved surprisingly friendly. A chieftain in uniform with lapel badges marked security manager even offered to provide a guide and escort for a party of three.

The hunters were inclined to agree that Harrods was too tangled a jungle for all their ranging to explore at once. Hunt followers mostly gazed at the photographers and television crew.

shot at will while he parleyed continued.

The hunt's leaders, Mr Tim Clarke and Mr John McKenna, a street artist, eventually made a short sortie into the handbag department of Harrods, where they upbraided the staff for selling briefcases made of crocodile skin and purses made of snake and lizard.

At the door, their supporters chanted a crocodile's hide belongs on his side and elephants need their feet for walking, while Mr Rodney Brimacombe, general manager of Harrods, strove valiantly to explain that Harrods sought always to observe legislation concerning products of endangered species, and obtained licences for the items imported.

At their next halt, the Russell and Bromley shoe shop, the hunters had a rougher ride. "What do you feel about selling the products of endangered species?" faltered the leading spokesperson as the manager rounded on them furiously. "I feel nothing on

my business premises," he retorted. "Kindly get out of my shop."

The intrepid hunters, only treated in confusion, and only regained their composure when they found the manager of the Bally shoe shop farther along the street willing to listen patiently to a lecture on the evils of selling shoes made of turtle skin (£220) and ostrich skin (£300) while his assistants continued selling them at the front of the shop.

Ostrich shoes give us the blues," bawled the huntsmen outside. "Extinction is forever."

The hunt rampaged on, down Brompton Road and Sloane Street, flushing out, amid cries of disgust and protest, by £12,000, narrow-necked candle holders (£1,300), an elephant's foot ashtray (£120) and an ivory table (£400).

"High fashion today, extinction tomorrow," they yelled, and having completed their bag adjourned to pass the stirrup cup.

## Tax errors disclosure angers revenue staff

By Margaret Stone

Inland Revenue staff were angry yesterday over the disclosure by Sir Lawrence Ayley, chairman of the Board of Inland Revenue, to the Commons Committee of Public Accounts on Wednesday.

Sir Lawrence told MPs that a spot check last year disclosed that one in four assessments for PAYE was wrong. If the results of the inquiry carried out in 43 of the 580 local PAYE offices were typical, he said, the Revenue was overcharging some taxpayers by about £18m and undercharging others by about £25m. The degree of error was far too high.

Mr Tony Christopher, assistant secretary of the Inland Revenue Staff Federation, said yesterday that it was disgraceful that the public should be overcharged to such an extent.

His bitter comments, however, were reserved for the Revenue's own staff. The Government was doing its best to make sure that the Inland Revenue did not get the substantial increase in staff it needed to restore its tax gathering efficiency.

The Revenue's strength had declined from 85,000 in April, 1979, to below 78,000 and Sir Lawrence agreed that "we could usefully appoint more inspectors" implying that part of the difficulty was in finding suitable applicants.

Mr Christopher stated yesterday that there were "hundreds of well qualified or junior staff fitted for promotion" and that the Revenue's arbitrary stop on promotion was "a disgrace".

Sir Lawrence told MPs that Inland Revenue staff morale was rising. Mr Christopher said that he could not remember it being lower, adding that "industrial action may get worse in the Inland Revenue".

Inland Revenue, like other Government departments, is looking for savings and Sir Lawrence admitted that simple cost reductions, such as the reduction of the quality of service or policy changes, that would reduce the taxman's burden, such as the recent abolition of the £750 required rate income tax band.

Both the Inland Revenue and the Customs and Excise are concerned about the level of the black economy, the total sum undeclared income. The Revenue sticks to the version that it could be about 7% of the gross domestic product, while the Customs and Excise quoted by a former Inland Revenue chairman two years ago.

The Employment Appeal Tribunal (EAT) and the industrial tribunals are interpreting the law so as to deny part-timers the rights they should in theory enjoy, she says.

"A part-time worker cannot compare herself to a full-timer for the purpose of an equal pay claim."

The EAT and the tribunals have decided that being a part-timer counts as a genuine material difference under the Equal Pay Act, and allows the employer to discriminate in pay, even though similar work is being done by a man and a woman.

The Low Pay Unit report, which is written by Jennifer Hursfield, a senior lecturer in sociology at the City of London Polytechnic, finds that in some jobs virtually all the part-time women are low paid.

Work on the present stage of the new contract at the Royal Opera House, Covent Garden, is due to be completed in January, 1982, not next January, as stated yesterday.

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## Part-timers lose on pay and holidays

By Lucy Hodges

Part-time workers do not get equal pay with full-timers, nor do they have the right to paid holidays or a tax break, two pamphlets published in conjunction today state.

Three quarters of all women working part-time, 2,750,000 in all, earned headline wages, according to one of the reports, from the Low Pay Unit. They earned less than £1.50 an hour last year, the equivalent of the supplementary benefit level for a typical family.

The other booklet, which is from the National Council for Civil Liberties (NCCCL), explains that people who work less than 16 hours a week are severely limited in their legal rights. They are prohibited to maternity leave or redundancy pay, for example.

Britain has the largest part-time workforce in the EEC. One in every five British workers is a part-timer.

"It is particularly important for part-time workers to recognize that they do not get certain rights in law, though rights can be negotiated for them by their trade union and incorporated into their contract," Mrs Ann Sedley, women's rights officer for the NCCCL said.

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## Government rules out Lords reform

By Hugh Noyes

Parliamentary Correspondent

Mrs Margaret Thatcher will have disappointed many Conservative MPs, including several of the most senior of her Cabinet colleagues, when yesterday she ruled out any early reform of the House of Lords.

There were more urgent matters for the Government to consider, she told the Commons, and there was no possibility of a Green (discussion) bill being produced this autumn.

Asked by Mr David Milledge, Conservative MP for Redfordshire, South, about the Government's plans for the Lords, the Prime Minister replied that there were many conflicting views about whether the Lords should be reformed and if so how it should be done. Over the years there had been a number of unsuccessful attempts at reform.

In recent weeks there have been various moves by Conservative and Labour peers, as well as by Conservative backbenchers, to get the reform bandwagon rolling. Many Labour MPs are moving in the same direction, and that has persuaded the would-be reformers of the need for urgent action so as to pre-empt that development by creating a more acceptable second chamber.

Among senior Conservatives in favour of reform are Lord Hailsham of St Marylebone, the Lord Chancellor, and Lord Carington, the Foreign Secretary. Lord Hailsham, in particular, would like to see talks started so as to forestall any Labour move for abolition.

Last month Labour peers produced a document to contest the Conservative policy of abolition. Their compromise plan includes proposals to ensure that any government with a majority in the Commons would also have a majority of peers in the upper chamber.

The board has told Mr Len Murray, the TUC general secretary, that it considers the meeting an inter-union dispute and as to not want to interfere with the three unions in the dispute.

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## Power board shuns Isle of Grain meeting

By Our Labour Staff

The Central Electricity Generating Board has refused to attend today's crucial meeting called by the TUC to settle a solution to the inter-union dispute as to the Isle of Grain power station, in Kent.

The board has told Mr Len Murray, the TUC general secretary, that it considers the meeting an inter-union dispute and as to not want to interfere with the three unions in the dispute.

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Compare its economy with your car. Or try. With an average mpg of 32.5, the Princess 2000HLS is just about the most economical 2 litre car on the road.

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The Princess 2 has more room for back seat passengers stretch out in than any other car in its class.

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thoughtful touch of a rear cigar lighter and personal rear reading lights in the Princess 2. Does your car have these? Does your car have a radio fitted as standard? Or a Triplex 10/20 windscreen, the safest in the world, or side window demisters like the Princess 2?

Or is it like most cars, which seem to think only rear windows can get misted up?

Then take the Princess 2 on the road. See how the revolutionary Hydragas suspension rides over potholes as if they were no more

than pockmarks.

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But be warned. It may not look as good when you leave as it did when you brought it in.

# AND IN 30 MINUTES WE'LL MAKE YOU WISH YOU OWNED A PRINCESS 2.

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Address \_\_\_\_\_  
City \_\_\_\_\_  
County \_\_\_\_\_  
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THE AERODYNAMIC PRINCESS 2. SIX MODELS FROM £4458 TO £6151. 1700, 2000, & 2200.

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A quality product from Austin Morris. With Supercover.







THE NEWS

Report  
BAOR  
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said.

MP wants new  
dock to handle  
Windscale waste

From Our Correspondent  
Cockermouth  
Dr John Cunningham, Labour  
MP for Whitehaven, wants a  
dock to be built to overcome  
the difficulties of transporting  
radio-active waste and fuel to  
the Windscale nuclear plant at  
Windscale, West Cumbria.  
At present the waste is taken  
by road after being shipped into  
ports at Workington and Bar-  
row. People living in the towns  
and on the routes have pro-  
tested.  
In a letter to the chairman  
of the Atomic Energy Authority  
and the Government, Dr Cun-  
ningham, a former Under-Sec-  
retary of State for Energy, said:  
"Consideration should be given  
to the construction of a dock at  
Windscale so that cargoes of all  
kinds can be landed directly on  
the site. There is significant  
opposition in Barrow and Work-  
ington to the handling of  
nuclear materials in the docks  
and their subsequent transport  
through these towns



Police Constable Trevor Locke (right), a hostage in the Iranian Embassy siege, back on duty yesterday. With him is Supt E. Jones

Have-a-go workers foil wage raiders

Two men were stabbed yesterday while they struggled with three masked raiders and foiled a wages robbery on Merseyside. A wages clerk also had his hand slashed by the robbers during the raid at Courtauld's factory in Ormskirk Road, Antree, Liverpool.  
The robbers, who were wearing balaclava helmets, ran off, dropping a sack filled with wage packets when about 20 factory workers gave chase. More than a security worker, was snatched in the stomach and his col-

league, an engineering lab-  
orator who went to his aid, re-  
ceived a back wound. Both were  
taken to Walton Hospital for  
surgery. Two other employees  
were also taken to the hospital.  
The men were among a group  
sorting wage packets when the  
gang burst in. They were  
ordered at knifepoint to lie on  
the floor, but they fought back.  
Police said that the raiders  
escaped in a stolen Ford Cor-  
vina car driven by a fourth  
man. It was abandoned in  
Helsby Road, Liverpool, about  
half a mile away.

Mr Reginald Newman, site  
manager at the factory, praised  
the bravery of the injured staff.  
"There were several thousand  
pounds in wage packets ready  
to be paid out to hundreds of  
our workers", he said. "As a  
result of the courageous actions  
of our employees who had a go  
we believe the amount the rob-  
bers got away with was mini-  
mal."  
The gang broke into the  
wages office at about 10 am,  
the time the workers are usu-  
ally paid.

Children's  
lunch  
box check  
called off

From Our Correspondent  
Taunton

Medical spot checks on lunch  
boxes taken to school by 250  
children in Somerset have been  
ended after objections by  
education chiefs.  
The checks were started by  
Somerset Area Health  
Authority so that experts could  
discover the quality and  
quantity of food taken by  
children who do not have  
school meals, but Mr Barry  
Taylor, the chief education  
officer, said yesterday that they  
must stop until a properly pre-  
pared paper justifying the  
inquiry had been approved.  
The process could prove  
embarrassing to some children  
and is unacceptable to a  
number of parents. If research  
of this kind is justified, and I  
doubt if it is, it should be  
sponsored nationally", Mr  
Taylor said.

Mr Tony Downe-Brenan, the  
Somerset education chairman,  
said: "I am most annoyed that  
the survey has taken place and  
I would not have approved it  
if I had been asked."  
Dr Alan Parry Jones, the  
area medical officer, said:  
"One parent objected. It was  
a spot check on only a day or  
two to see if children's packed  
lunches were nutritionally ade-  
quate."

Nine hurt in bus crash  
Nine passengers suffered  
minor injuries yesterday when  
a double-deck bus and a lorry  
collided at Clipsestone, near  
Mansfield, Notts.

Minister warns councils of action  
if permitted spending is exceeded

By Ian Bradley

Budgets that are available  
show that local authorities are  
intending to increase their spend-  
ing by more than 5 per cent  
above the level requested by  
the Government, Mr Tom King,  
Minister for Local Government  
and Environmental Services,  
said yesterday.  
He told a Conservative wom-  
en's Advisory Conference at  
Cheltenham: "It is true that  
budgets have not in the past  
been a totally accurate indica-  
tion of the amounts eventually  
spent."  
Yet even if there is some  
overstatement contained in  
these budgets, all past experi-  
ence would indicate that the  
proposed level is still well  
above what the Government  
has requested.

The challenge is now with  
local government to demon-  
strate that they will be able to  
ensure that targets are ach-  
ieved. If local authorities can-

not respond to this request in  
an effective way then clearly  
we will be forced to look at  
other ways of achieving our ob-  
jective", he said.

"I do not wish at this stage  
to discuss such possibilities, as  
certainly the Government, and  
I know responsible local au-  
thorities as well, would much pre-  
fer the necessary improvements  
to be achieved by councils them-  
selves without further interven-  
tion by the Government."

Meanwhile, Mr Roy Hatters-  
ley, opposition spokesman on  
the environment, has promised  
that the next Labour govern-  
ment will restore financial  
autonomy to local government.

Speaking at the annual con-  
ference of the Chartered Insti-  
tute of Public Finance and  
Accountancy in Bristol, Mr  
Hattersley said: "Whilst it is  
both right and necessary for  
the Government to decide what  
central resources are available  
for local authority spending, it

is intolerable for those central  
resources to be divided and  
distributed in a way which com-  
pels and coerces individual  
councils to take decisions which  
their elected representatives  
believe to be against the inter-  
ests of their areas."

"To distribute a grant in a  
way that punishes and penalises  
councils that either raise higher  
rates than the Government  
thinks necessary or spend more  
on services than the Govern-  
ment thinks right is a denial of  
local democracy."

Mr Hattersley promised that  
a future Labour government,  
having notified each council of  
its grant expectation for the  
year, would then leave indi-  
vidual local authorities free to  
make their own decisions about  
what local revenue they raised.

"A council that can carry its  
ratesayers for higher levels of  
services should not be impeded  
in its intentions by the gen-  
tlemen in Whitehall", he said.

Councils advised on ways to raise cash

From Our Correspondent  
Bradford

More than a hundred repre-  
sentatives of councils from  
Cornwall to Dundee took part  
in a one-day seminar at Brad-  
ford yesterday to learn how  
local authorities with financial  
difficulties could raise an extra  
£1m a year.

Bradford City Council called  
the conference to pass on in-  
formation about its pioneering  
ventures which it hopes will be  
saving ratepayers £200,000  
annually within a couple of  
years. Officials at Bradford  
believe that nationally at least  
£1m could be earned by coun-

cils with risk-free enterprise.  
To prove their point about  
the opportunities from adver-  
tising and sponsorship they paid  
the cost of arranging the semi-  
nar with the proceeds from  
advertisements.

Delegates heard about some  
of Bradford's successful ven-  
tures such as enclosing adver-  
tisements with race bills and  
voting register forms. They  
were also told about the pitfalls  
and given a few of Bradford's  
latest ideas which have yet to  
be tried, such as sponsored  
flowerbeds and playing com-  
mercial signature tunes on the  
City Hall carillon.

Mr Gordon Moore, the coun-  
cil's chief executive, said:  
"Local government throughout  
the United Kingdom is faced  
with the same problems of pub-  
lic expenditure. We think it is  
good commercial sense to set  
about running a council on  
commercial lines."

"There are some problems to  
overcome but the potential is  
enormous, because councils  
throughout the country own  
thousands of properties and  
thousands of vehicles, and send  
millions of documents which  
must be attractive to  
advertisers."

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By simply picking up the 'phone now, for  
FREEFONE 3215 you'll find yourself behind the  
wheel of one of the finest cars around. It's the  
SAAB 900 GLS. The SAAB FREEFONE  
service means you can arrange to have the car  
delivered to your home or office on a date and  
time to suit you, or you can collect the car  
from your nearest SAAB dealer. Either  
way, the car's all yours for a free\* 24 hours  
test drive, from the moment you  
turn on the ignition.

The SAAB 900 GLS, is the car that's been  
designed for drivers and driving! After just a few  
miles, you'll realise just how much power you've  
got in your hands. The performance, handling,  
superb roadholding, comfort and safety will give  
undoubted pleasure to the most discerning  
motorist. A truly unique sense of roadcraft. Add  
the enormous load carrying capacity and unique  
ventilation as just some of the many features  
packed into a sleek body, and you've got a car that  
meets all your needs, without compromise. Once  
you've driven the SAAB 900 GLS, you'll know why it's  
the car that's Born to Lead.



Make a date with a beautiful Swede and

enjoy 24 hours test driving a  
SAAB 900

UNTIL  
JUNE 30th  
there are really worthwhile  
offers available from  
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\*except petrol used, which must be paid for on completion of the test drive. This test drive is subject to certain insurance conditions.



House of Commons. The Special Patrol Group was an important mobile reserve of police which had done a considerable job in the Metropolitan area and he strongly supported its continuance. Mr William Whitelaw, the Home Secretary, said at question time, "I am sure that Mr Nicholas Waterton (Maclean) will be able to advise the House of the steps that can be taken to extend training in riot control to all officers and to increase SPG manpower and supplies of equipment for the control of riots and terrorist attacks." Mr Whitelaw said he would prefer to await the outcome of the review of arrangements for handling spontaneous demonstrations which he announced on April 28.

Mr. Winterston—Many on the Conservative side very much support the SPG. The work it does is to maintain the maintenance of law and order.

It is significant that the vast majority of those bodies or individuals who sided with us are seeking to undermine the institutions of our country and many of them, I think, are in the Labour League. We have taken over your Socialist Workers' Party.

Mr. Whitlaw—Some changes have been made by the Commissioner recently. They are also the basic work done in the group in enormous importance.

Mr. Winterston—Ealing, Southall, Lab)—it is misleading to say we can quote what is contained in the policing system which has been set up by the racist and fascist activity with dealing with terrorism.

There is a mass of the discourse made at the time of the inquiry although it has not been plotted, nor that one particular officer is involved. It reveals considerable questions about the behaviour of the police and about the weaponry kept in police force.

Will he keep under continuous review the question of the usage of the SPG on occasions of civil disorder? Would there be protests and interruptions?

Mr. Winterston—It would be wrong to make comments which could be used like you said, as evidence which may yet still arise from the matter.

This matter of the recruitment and training of the SPG and why they were recruited was important to be treated in anything other than an impartial and calm manner.

Will he give any comment, or can he say when he will have comments to make, on the riders struck down in the case of the Peetch case? It was a rather surprising verdict in the view of many of the riders made comments on the SPG.

Will he have any statement to make about the consequential action taken against the riders?

Mr. Winterlaw—I was referring to what I read in the press about various talk of judicial proceedings against some of the riders. Were considered calmly several months ago. The Commissioner announced some changes in the way the SPG was run, and completely the riders put on them by the jury at the inquest.

Mr. Winterston—Officer (Sgt. St Edmunds). C)—A police officer, whether a member of the SPG or any other, is as entitled to the same rights of innocence as any other citizen.

The morale of the police generally has been badly affected by the incidents, beatings, and aspersions, on the SPG without evidence.

Mr. Winterlaw—Agree with that. What was answered to the rider who was struck at the inquest and realize that we have already taken steps to ensure that the matter be closed there.

For the time being the Government had more urgent things to think about than preparing a new White Paper on the Land Ordinance, Mrs Margaret Thatcher, the Prime Minister, said.

Mrs Thatcher (Barnet, Finchley, C) said that the Government's differing views is whether the House of Lords should be reformed, and if so, precisely how. The Government should not have a number of attempts to reform it which were not successful. The Government, producing a Green Paper this autumn, for the time being should be concentrating things to think about, laughter.

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Mr Whiteaw (Fenrich and the Border, C) stated—At March 31, 1980, the strength of the police in London was 15,543 an increase of 4,234 during 1979 plus 1,234 so far this year. Mr Tomlinson—Bearing in mind the fact that the police are not in Torquay yesterday, does he think that hostile comment is warranted?—The answer is on police recruitment?

The Government would comply with the Human Rights Convention, Lord Hailsham of St Marylebone said. He was one of those who answered questions on the closed shop judgment of the European Commission of Human Rights.

Vicount De L'Isle (C) asked the Government whether it had received the report of the European Commission of Human Rights which was made last week at a shop by Messrs Young, James and Webster against the United Kingdom, adopted on December 14, 1976.

He also asked whether it had decided upon the course of action to be taken in response to the European Court of Human Rights to which the Commission had referred its report, and before which it has been summoned to defend their violation of Article 1(1) of the European Convention on Human Rights and which the Government reported by the Commission.

Lord Hailsham of St Marylebone said: "The Bill has returned to the report which the Commission has returned to the Court."

A chamber of the Court has heard evidence from both sides at a hearing; has been set up and the Government has yet to be asked by the Court for its submission on the case.

"When it is so asked, it will consider, in consultation with its professional advisers, such recommendations it might be appropriate to make."

Vicount De L'Isle.—"As the Employment Bill will be coming before the House next week, together with this important matter which affects the human rights of our citizens, I am glad to know it has been studied by the Commission. It is important the Government be in a position to answer questions which are raised in general, and the Commission's report in particular."

Lord Hailsham of St Marylebone.—"I am happy to argue that if the Employment Bill were been the law at the time considered, there could have been no complaint, because the Bill completely covers the point as it is drafted."

When the 1976 legislation was going through, I warned the pre-eminence of the law. As Mr. Ewing-Jones' there would be trouble with the Commission, but he pro-pounded the question of knowing that at least a majority of

the Commission agree with me, and not with Lord Ewing-Jones. I say, no way of knowing whether or not the court will take that view."

Lord Ewing-Jones.—"As I have said, the pleasure of reading the report from the Commission I cannot comment upon its wisdom or folly; I await with impatience the report itself."

Lord Hailsham of St Marylebone.—"No doubt we will await with equal impatience what the decision of the court will be."

Lord Orr-Ewing (C).—The new Bill is submitted to the House on December 7. They have gone against the previous Labour Bill and they have found, like the previous Act, that the Government are wrong. Twenty-three cases have been submitted to the Commissioners for judgment and in no case has their recommendation been accepted."

As the Government is always looking forward, before we go any further it is important to have a look at what the Government do what it will do if found upset in the legislation we are considering. Lord Hailsham of St Marylebone.—"I think the Government will find he is not right in his observations. As regards the statement, the Government have already made a declaration on human rights. It does not think there is any chance of being held to be contrary to it. We will comply with it."

In the Commons, Mr. John Browne (Winchester, C) asked the Prime Minister whether the Government had received the report of the European Commission on Human Rights relating to the closed shop judgment of the European Court, Young, James and Webster?

Does the Government intend to file a defence to which it will appear before the European Court or does it intend to accept the recommendation of that report?

Mrs Margaret Thatcher, the Government's spokeswoman, said it is critical of the new provisions of the Bill, which are quite very different from the law as it was when those people lost their jobs by the closed shop rule.

The report of the Commission goes to the European Court. I understand that the court has been asked to give its decision, which is not yet been announced.

It is right that this Government should go and put its views on the case before the court, which is different from those of the last government.

The Home Secretary twice emphasized the necessity of those officers, by taking part in marches and demonstrations, to make sure they took place without any disturbance to the public, and about the number of assaults on the police.

Mr. Cyril Townsend (Bexley, Bexleyheath, C) had asked how many members of the Metropolitan Police had been injured in the riots in each of the last three years, and how many so far this year.

Mr. William Whitelaw replied that the annual reports of the Commissioner of Police for the Metropolitan Police for the years 1975-76, 1976-77 and 1977-78, contained 3,595 in 1975, and 4,185 in 1976 and 7,999 up to April 21 this year.

Mr. Townsend:—Those figures are disturbingly high. Is Mr. Whitelaw aware of the fact that the police are available to the courts to deal with assaults on the police while on duty? Is he proactive equipment to the police?

Mr. Whitelaw:—They are certainly worrying figures. They represent a high cost to police officers and the public. The police are coping with violence by traditional police methods. Those methods are sound and we must persist with them.

Those who wish to conduct demonstrations must accept that it is their responsibility to ensure that they do so without violence. In that, this House must give a strong lead.

Mr. Christopher Price (Lewisham, S E):—Could Mr. Whitelaw join with the House in sending good wishes to Sir Stephen Ridding—who had his hand blown off a few weeks ago?

Can he confirm that in the case of police injured in that way, it is possible in appropriate cases to sue the Metropolitan Police to find ways of continuing to employ them? (Conservative cheers.)

Mr. Whitelaw:—I would respond to that by generally said. The whole House will wish to join me in that. It showed the high esteem in which the police are held in that area and throughout the country that there was a magnificent response in money and many other ways to the Government for the unfortunate police officer.

The Commissioner has made clear that he will be unable to continue to employ him.

There must all sorts that have been done, but that must not be the end for the future. The Government showed significant support for the police of this country.

Mr. Gordon (Glasgow, C):—Could the Home Secretary consider 4,000 or more Metropolitan Police officers being ordered by violence every year, they will inevitably be equipped with the latest uniforms and devices. That would be most unfortunate since it would separate the police from the public.

Mr. Whitelaw:—I would be happy to do that.

It would be much better to decry in every way assisting on the police services. Because the police are working hard to do the job of the service, to be in the direction of the service.

Mr. Whitelaw:—I have already made clear that I would regard it as a retrograde step to go down the road, in purchasing more equipment for the police, the country police, in this country, which is, the envy of the world. We should be looking at the way in which we can go away from it, and if it will be that this House will have to give a lead to those in the country who are not in the direction of the service, never be justified.

The Government was considering whether the legal powers were necessary further to strengthen the powers of the courts in dealing with the legal aspects of the problem. The Minister of State, Home Office, said at question time, Any reduction in the powers of the courts is greatly depend on the continuing efforts of parents, teachers and the police. It is the duty of the community, he added.

Mr. Jocelyn Cadbury (Birmingham, Northfield, C.)—In my constituency, the level of vandalism is approaching intolerable proportions. It seems to me that the courts are very reluctant to assume responsibility for the behaviour of their children. Would many other areas be so reluctant to assume powers to impose fines on the parents of children who offend?

Mr. Brittan.—The courts have extensive powers. The court must when awarding fines, compensate the victim for the damage caused.

Mr. Brittan.—The courts have extensive powers. The court must when awarding fines, compensate the victim for the damage caused.

Mr. Brittan.—I do not accept the figures which are interpreted as being based on the question of the number of children who offend between 14 and 17, the court has the discretion to exercise that power.

I hope the full extent of these powers will be appreciated. They will be put to the test in dealing with the problem.

Mr. Mervyn Rees, C.P. (Opton) asked the Minister of State, Home Affairs, (Leeds South, Lab.)—What happened since the general election? Does he not recall all those who were in a Government victory would bring down crime rates, about which they have gone up and down? What are they going to do about it?

Mr. Brittan.—I do not accept the figures which are interpreted as being based on the question of the number of children who offend between 14 and 17, the court has the discretion to exercise that power.

The powers of the courts because that is a practical step that can be taken and has been taken.

The Government has already increased the number of attendance centres. It has introduced changes in the way in which the courts deal with young offenders. It has prepared proposals to put to the country relating to young offenders.

If the action taken with regard to the police is added to that which has been following policies to improve the way in which the police operate, it is a piecemeal what we promised during the general election.

**Parliamentary notices.**

**House of Commons**

Today at 9.30: Plans Bill and New Towns Bill, remaining stages.

**House of Lords**

Today at 11: Transport Bill, continued.

What is his view on the suggestion by Mr. William Deedes that a select committee should be urgently called to reexamine the Police Act and changes in police duties?

Mr. Whitlaw—Clearly adverse comment is not having an adverse effect on recruitment. It may not be clear that they should be ready at all times—go listen and respond to a constructive criticism. But if you think this is any barrier for them to be subject to criticism, some are, to unfair criticism.

I noted what Mr. Deedes said. There might be trouble in certain quarters if the police were to be recruited on home affairs. I then started saying what they

were doing could be done by someone else.

Mr. John Tilley (Lambeth, Central Lab.)—He avers to the degree of strain the recent recruiting is having on training facilities, particularly in the Metropolitan Police area. Heudon College, which I visited recently, is vastly overstretched.

More resources are needed. Many London MPs feel levels of training have maintained, but probably increased in areas such as community relations.

Mr. Whitlaw—I wish to expand training, particularly in the Metropolitan police. I am grateful to you for saying that the country who have spare training space available, have been able to share

it. That is the best way to proceed.

Mr. Alexander Lyon (York, Lab.)—The Chief Constable of Sussex forecast at the conference that in the future it looks as though we will be recruiting not policemen, but soldiers.

It is not that a decision to be taken by democratically elected people.

Mr. Whitlaw—Any such decision will be taken by democratically elected people. It is not in the nature of terrorist incidents and civil disorder has been seen in recent years to be based on outdated policing methods.

As far as I am concerned and so long as I have no responsibility I will remain that way.

...unsuccessful plea to the Government to consider 'renewing' the sporting links immediately with South Africa was made on Monday by Mr John Carlisle (Luton, West, C.).

Initiating an adjournment debate on the report of the Sports Council for South Africa, he said that for a Conservative Government 'to be hogtied to the Gleneagles agreement, made by a Labour Government, was extraordinary. This decision had been thrust on Parliament which had not had a chance to approve it. Neither had there been any opportunity for the Sports Council or sportsmen in Britain.

The message of the Sports Council's report was clear: 'dramatic change in the attitude of the British to a total racialist sports society.

Pockets of political unrest in Africa were playing were not without political and racial overtones. That South Africa's political opposition were taking every opportunity of causing trouble while world opinion was focused on that part of the country.

Mr Hector Mouro, Minister for Sport, (Dumfriesshire, C.) said the Sports Council was not an outpost of South Africa but a matter for the Government. Instant reactions were not possible.

He could not act in isolation over this and the next possible opportunity to discuss the Commonwealth statement was in the hands of government ministers next year.

The Government's sanctions orders against Iraq were approved by the House of Commons last night despite being attacked by MPs from both sides of the House. The orders were variously described as futile, laughable and cosmetic.

The first order, which was made by Order was approved by 129 votes to 12—Government majority 111. The export of Goods (Control) (Iraq Sanctions) Order was approved by 129 votes to 12—Government majority 109.

Mr Cecil Parkinson, Minister of State for Trade (South Herefordshire, C.) said the orders were as much for the world to see as to demonstrate its feelings but they were a way. If they were not as strong as they could be this was not his fault. The House did not want this.

Moving the first order, he said the Government had responded to the wish of the House and remained united in its decision.

A technical committee of experts had been set up in Brussels to monitor the effects and implications of the orders.

When Mr Bowen Wells (Herefordshire, C.) asked if trading through third countries would be allowed under the arrangements, Mr Parkinson said they would not.

Mr Edward Rowlands, an Opposition spokesman on foreign and Commonwealth Affairs (North Derbyshire, Lab) said the orders were the remnants of a policy now in tatters. The Government had been forced into the most speedy U-turn.

Companies would be unclear about some exemptions. Ministers would have to be prepared to explain to the public why they believed now that our American allies would feel Britain stood stoutly by them? He suspected the Americans would feel that they were being seen to take cosmetic political. Iranian obstinacy would be stiffened.

Mr Eldon Griffiths (Bury St Edmunds, C.) said the order was laughable and full of holes. In his view it was an interest-free gesture to the United States over the hostages in Iran.

Mr Parkinson, replying, said that the orders would affect some 100 MPs who had been dismissive of them might would be complaining that orders would be lost in the confusion.

Mr Parkinson, moving the export order, said checks would be made and companies sending embargued goods would be fined.

Mr James Kilfedder (North Down, UU) said Ulster people had been murdered by guns and bullets financed by American money sent to the United States returning support revolvers to the RUC fighting the IRA. This was a sanction against Irish people.

Mr Robert C. (Middlesbrough, Lab) said the order was meaningless, cosmetic and a waste of time. It was a futile gesture.

David C. (Swindon, Lab) said Britain would be cutting off her nose to spite her face.

These orders, the (s) will be seen as a joke by the rest of the world.

<p>the position under review.</p> <p>Resegregation of Cleanleaves was essential before normal sporting activities could be resumed.</p> <p>Mrs Thatcher had made clear that when sufficient progress had been made in this regard, she would consider revising the agreement.</p> <p>When the match had not yet arrived.</p> <p>The match which had depended on 1955 and 1956, the first was in the Commonwealth, and the diplomacy of a high order.</p> <p>The sitting ended at 3.30 am today.</p>	<p>The main business in the House of Commons next week will be:</p> <p><b>Monday:</b> Remaining stages of the Industrial Disputes (Control) and Export of Goods (Control) (Iran Sanctions) Orders (Iran Sanctions Bill, committee (second day).</p> <p><b>Tuesday:</b> Progress on remaining stages of the Tenants' Rights, etc. (Scotland) Bill, committee (second day).</p> <p><b>Wednesday:</b> Debate on expenditure on BBC licence fee and expenditure on the construction industry.</p> <p><b>Thursday:</b> Employment Bill, committee (third day).</p> <p><b>Friday:</b> Employment Bill, committee (third day).</p> <p><b>Saturday:</b> The day of the week completed on Thursday, it is.</p>
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House of Lords

Any nuisance caused by abetting or procuring imprisonment for soliciting on the streets for the benefit of a prostitute, or by the beneficial aspects of keeping 300 to 400 women a year out of the streets, and the expense of moving; the second reading of a Bill to amend the Street Offences Act.

Lady Justice discounted the fears of some people that without the sanction of imprisonment, prostitutes would emerge from the brothels and bed-sitting rooms and become a plague on the last 20 years and become a plague on respectable citizens and

Ladies who offered their services at the private parties held by the unfortunate Mrs Payne ran no risk of being arrested. They seemed to be able to rely on a higher class of customer than could be expected from casual prostitution on the street.

His Bill would have the effect of abetting imprisonment for soliciting on the streets of more than 500 women a year.

sent there directly on conviction of offences under the Street Offences Act or sent there in default of payment of a fine for the same offence.

Section 1 of the Street Offences Act provided that any woman who prostituted to loiter or solicit in a street or public place for the purpose of prostitution. A conviction of a prostitute who had already been cautioned twice by a police officer when seen loitering or soliciting would be sufficient for conviction under the section.

If prostitutes were to commit acts of aggression against ordinary passers-by, they would be liable for a whole armoury of weapons on the statute book that the police could use against them.

Lord Harris of Greenwich (Lab) said that in some respects the present law was unsatisfactory. It was struck by the public attitude of a great deal of uninformed public opinion about about whole crops of imprisonment of the women. It was just did not, think, it was the answer.

Many people were increasingly uneasy about a law which could imprison women for the offence of soliciting on the streets. The men who drove slowly through the streets trying to pick these girls.

Lady Victoria (C) said consideration should be given to total abolition of all laws concerning prostitution under the Street Offences Act, 1959.

Prostitution had always existed, and always would exist. It would always exist in some form or other. There would always be a demand for prostitution services.

There were a large number of foreigners in this country and many expected prostitutes. Only one woman, she had been told of a certain hotel, she had been asked for a prostitute to go along.

They should revert to that section of the law which dealt with Act, 1933, which dealt with annoyances.

Lady Harcourt-Smith (C) said she thought prostitution would be extremely vicious and black-painted.

Some wage increases, tonally, have been in the productivity, but the price of the goods out of the market, says Margaret Thatcher, the Prime Minister, said.

She was replying to Sir James Callaghan, leader of the Opposition (Cardiff, South-East, Lab), who said the country was heading for a decline in the living level of the population, which over the coming months was going to be further reduced.

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That is what is frequently happening. Some of the wage increases have been in the productivity, but the price of the goods out of the market, says Margaret Thatcher, the Prime Minister, said.

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last year, the Government's monetary policy, is having a more direct effect on the number of jobs than the Prime Minister takes into account what was said by the Secretary of State for the Colonies, that they cannot fulfil their responsibilities with the present amount of revenue that is going to them.

She must have responsibility for the level of unemployment, in addition to blaming the trade unions she has a responsibility to assist them (Mr. Labour cheers).

Mrs Thatcher—No one can create genuine jobs by printing money, and the Government's explanation which leads to more unemployment.

—I read the report of the Manpower Services Commission; it is worth reading in its entirety. There is a very telling comment which was that the generation of permanent new jobs is hindered by the powers (Labour interruptions).

A report that the work of the Public Labour Attaché in Pretoria was being phased out was inaccurate. Mrs Margaret Thatcher, the Prime Minister, said during question time.

Mr Philip Whitehead Derby, North, asked—Has she discussed the newspaper allegation that one of the firms paying starvation wages in South Africa was Burnham Oil?

She said: "I have a double personal responsibility to the House: to see that her ministers insist on the publication of a full list of the 33 firms involved in this affair and to tell the House why, and to call the Government to account."

person replacing him is taking on precisely the same functions.

On the other question, all the facts are published in the reports of the companies and all the reports under the voluntary code are available in the Library of the House.

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## Shares in state corporations not ruled out

The possibility of a scheme under which the citizens could take shares in nationalized corporations like the British National Oil Corporation and British Gas would not be ruled out by the Government, the Treasury, the

tion as BNOC and the British Gas Corporation can be given directly to all citizens, taxpayers and pensioners?

Mrs Thatcher—Where nationalized industries are being sold to the public, we believe that those who work in the industry should have preference in purchasing those shares.

I know that the scheme to which Mr Eggar referred has been partly done in Vasconia. It has a larger number of people here. One would not rule it out.

Mr Iain Sprat (Aberdeen, South.) asked the Secretary of State for Scotland if it was proposed to conduct any surveys which would be linked to the 1981 Census. Mr George Younger, in a written reply, said: It is proposed to undertake two census-linked surveys in Scotland. One will cover vacant housing. There will also be a voluntary survey of teachers not employed in teaching.

the Government's increases in the last year might be attracted by the inducements offered by the universities. Mr. Neil Kinnock, Opposition spokesman on Education (Sheffields, Lab), said in opening debate on overnight student fees:

He moved that the House do record this year's increases in university fees as a further step towards the creation of a two-tier system in which the well-to-do pay less and the so-called poorer students and poorer countries, including those from Africa, the Caribbean and other developing institutions of further and higher education, are threatened with a ruinous loss of opportunity.

Mr. Kinnock said that the Government was not taking any steps to help poorer countries.

He said: "The Government's policy had not got a single student out of the country for the purpose of a complaint, and criticism was obvious. The decision to raise fees was wrong. The increase was too big, and the pace at which they proposed

Because of the arbitrary and open-ended nature of the subsidy system, in the year 1978-79 the cost of the policy to the taxpayer amounted to £127 million, or about 10 per cent of some £105m of university education. It was a totally arbitrary and open-ended subsidy given irrespective of the country of origin of the student. In 1978-79, 36,000 students came from one quarter of the world, and from countries with a much higher per capita income than Britain's and whose families were able to pay for their education themselves.

The previous government had tried to deal with this by introducing a diminishing quota. It had no effect.

The Government were looking for savings over the next three years amounting to nearly £100m. According to the need to make savings it was far better to take it in this way, taking it straight out of the recurrent grant to universities.

The three-year English university would remain an extremely good

[illegible]

developed because of education in this country was of trade value. Mr. E. E. Rumsell (Norwich, N. H.) said that it should be worth what the French did in the next few years to promote opportunity for students to come together with other countries that would not allow a short-term interest of territorialism to stand in the way of their relationship with the remainder of the world.

Mr. C. C. Rumsell, Secretary of the National Bureau of Education and Science, said there was a growing tendency to look at the question of foreign students from the point of view of the costs for the overseas students.

Mr. Alvin Booth (Berkeley, Calif.) said that the United States was the "geographical policy."

In 1957-63 there were 31,000 students from overseas in all forms of higher education. In 1963-64 figures had grown to 35,000. Five years later it had risen to 75,000 and by 1978-79 it had further risen to 86,000. Today, the number of students alone from the United Kingdom is 35,500 overseas students, which was 12 per cent of the student population, as compared with 10 per cent in 1957. If the student population at the same differential fees were introduced, the increase in the number of students coming from overseas would be not only acceptable but desirable. It would also help to keep the money and come to the Labour Party and country as a whole save for the one fact of the heavy taxpayer as a result.

the Opposition amendment in the enterprise zones considered in the Budget Committee. The amendment will yesterday, was rejected by 160 votes to 26—government majority 134 to 16. As reported in last editions, the Enterprise Zones (General) Bill, 1979, would provide a discretionary invitation to speculative developers to build in enterprise zones. It was introduced by the Minister of State for the Regions, Mr. Frank Hooley (Sheffield, Free-Trade, Lab.) and while the Committee was considering the Finance (No 2) Bill, the Government announced that the Bill would be amended to include the Enterprise Zones (General) Bill, 1979, as a separate Bill.

Mr. Donald Anderson, (Swansea, Lab.) said MPs would fight the Enterprise Zones (General) Bill, 1979, as a separate Bill.

The Labour MPs had sneered at the non-Manufacturing sector because they were to be given 100 per cent, but it was not the case. The Government was aware that the majority of working people were employed.

The cost of rate relief was estimated at £20m and £10m a year, and the cost of rate allowances under the clause would be of the order of £20m, giving a total cost of between £35m and £40m.

they should be in a "civilized, humane way, do away with the vice and see what happened."

On the Belmont, Under-Secretary, Mr. J. Edgar Hoover, in 1934, said that the question was whether a prostitute who solicited in a street or public place should be liable to imprisonment. He said that the question was then considered by two substantial bodies in the last 20 years: the National Commission on Law Enforcement and Working Party on Vagrancy and Street Offences in 1976. Neither would exactly be accused of advocating the abolition of prostitution. The Commission was leading to large scale imprisonment for prostitutes. Rather the Working Party recommended that the Government could not support the Bill. The main compelling reason was that the law on prostitution was being reviewed in a comprehensive exercise on the law of criminal offences in the Criminal Law Revision Committee, assisted by the policy research committee on sexual offences.

It would be inappropriate to consider reverting this one aspect of the law on prostitution to the position that obtained before the 1950s. It is to be noted that 100% of the members of the committees. There was likely to be a working paper by the committee to advise a final report two years after that.

In 1959, before the passing of the Act, 12,000 women were found guilty of soliciting. A year later, the number had risen to 15,000 and then 20,000. In those days, the parks and streets of the capital had been a public nuisance.

In the 1970s, 3978-79 women convicted of soliciting. In 1980, 3979 women were in prison. In 1981, 3979 women were in prison. In 1982, 3979 women were in prison. In 1983, 3979 women were in prison. In 1984, 3979 women were in prison. In 1985, 3979 women were in prison. In 1986, 3979 women were in prison. In 1987, 3979 women were in prison. In 1988, 3979 women were in prison. In 1989, 3979 women were in prison. In 1990, 3979 women were in prison. In 1991, 3979 women were in prison. In 1992, 3979 women were in prison. In 1993, 3979 women were in prison. In 1994, 3979 women were in prison. In 1995, 3979 women were in prison. In 1996, 3979 women were in prison. In 1997, 3979 women were in prison. In 1998, 3979 women were in prison. In 1999, 3979 women were in prison. In 2000, 3979 women were in prison. In 2001, 3979 women were in prison. In 2002, 3979 women were in prison. In 2003, 3979 women were in prison. In 2004, 3979 women were in prison. In 2005, 3979 women were in prison. 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# Cuban exodus shows brutal side of Castro regime

defence requirements that must be observed, and on an assessment of who is making most noise in the swimming pools. There should be no surprise if the Philippines soon features more prominently in the news.

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## THE ARTS

## Hungarian vision of choice and responsibility

Angi Vera (A)  
Gate Cinema One

Long Shot (AA)  
Everyman, Hampstead

La Commare Secca (A)  
Everyman, Hampstead

Forget Venice (X)  
Academy 2

All Quiet on the Western Front (A)  
Empire

No description of the Hungarian film *Angi Vera*, which has already enjoyed an exceptional critical success in the United States, can convey how thoughtful, wise and attractive it is. Even the setting sounds forbidding: 1948, the period of construction of the new socialist regime in Hungary and the eve of what Pál Gábor, the film's director, calls somewhat euphemistically, "a period of grave difficulty. We see in it the growth of the cult of the personality." (When the film was shown in Hungary, Gábor accompanied it with a compilation of news films from the period of Matyas Rákosi, Hungary's leader in the worst Stalinist years.

The heroine, Vera Angi, is an assistant nurse. Her outspoken criticism of administrative abuses brings her to the notice of local party officials, who send her to a party school for political "education". She falls under the dual influence of Anna, a narrowly dogmatic party veteran, and István, a young lawyer with whom she falls in love. She proves however far too apt a pupil of Anna and the hard-liners: in a terrible session of "criticism and self-criticism" stands up and attacks her lover's lack of political integrity. The choice she has made between individual loyalty and socialist obedience to party dogma brings her through the end-of-course examination with flying colours. Clearly she is on the road to success and influence in the years that are to come.

The particular distinction and strength of recent Hungarian culture, among that of all the socialist countries, has been a readiness for the open and critical approach to history advocated by the great Hungarian political philosopher György Lukács—on the principle that those who ignore history run the risk of repeating it.

Pál Gábor himself has shrewdly summed up the essential message of his film: "It is about the responsibility of the individual and the individual quality of responsibility."

She's So Modern  
Queen's Hornchurch.

Ned Chaillet

Not having been there on the opening night of any of Joe Orton's plays, I have no idea what the audience would be surprised to find had been the same mingling of the uncomfortable and the thoroughly amused that marked the opening of Barrie Keeffe's *She's So Modern* at the Queen's Theatre at Hornchurch and far from the Queen's Theatre at Hornchurch, some time ago at society's open wounds with the sharp artillery of naturalism, plunging a bayonet into the topics of racism and alienation. This time the weapons are Orton's: a farce, a comedy, a farce, Mr. Keeffe is still stirring the wounds but he is using a feather duster now.

The world he presents would seem to be a few weeks away. A reformer inspired by Marxist Thatcherism and Government and the crusades of Mary Whitehouse has formed a fresher campaign to abolish obscenity. She quickly reduces

## America's full-length classic

It would be very easy for a ballet-lover to leave his heart in San Francisco. The San Francisco Ballet, never seen in Europe—but, it seems, a strong possibility for next year's Edinburgh Festival—is a most engaging company, and today one of international stature.

Spending a somewhat busy 12 hours in San Francisco, I caught a company class with its guest teacher, Brian Shaw, from the Royal Ballet, and both casts in Michael Smuin's spectacular new ballet, *The Tempest*. So far as I can see, makes American ballet history. It is the first full-length American classic ballet ever to be created from scratch. Balanchine's *Don Quixote* would almost qualify, had not much of Nabokov's music been written and published years earlier. But here, with new choreography by Smuin, new music by Paul Selko Chichara, scenery by Tony Walton and costumes by Willa Kim, this has got to be an American first. It is a huge, almost showbiz style, success.

Smuin is that rare bird among American choreographers—the master showman. In *The Tempest* he has taken a leaf out of Balanchine's book, "construction" is virtually identical to that in Balanchine's *Midsummer Night's Dream*. The first act tells the story. The second act is pure divertissement—in Smuin's case it



Vera (Veronika Papp, left) and Anna (Erzsi Pásztor) in *Angi Vera*

It is about ill-advised choices made and the consequences stemming from such misguided moves. The message is that, in the last analysis, we are responsible for all our actions, and that you cannot exonerate yourself by shifting the onus of your errors to society.

Vera Angi's destiny... provides an illustration of the fact that it is possible to manipulate society only if there are individuals who are willing instruments for manipulation. Vera Angi is such a person.

Through the setting date and characters, the film is a profound condemnation of a particular era and style of political dogmatism, the applications are universal. What counts here is Gábor's peculiar skill in making the period and local, and though the film is a profound condemnation of a particular era and style of political dogmatism, the applications are universal.

The film forms an interesting companion piece to Gábor's excellent *Horizon*, which appeared in London a few years ago, briefly and unapologetically in that film Gábor showed a young boy growing up in the early Seventies, as full of good will as the compliant Vera, but in contrast to her unable to accommodate himself in a society in which he sees only disillusion and cynicism.

From *Angi Vera*, as from *Horizon*, you keep a memory of real people: Vera (Veronika Papp) whose openness and

goodness curdle like milk in this, treacherous atmosphere; the old party faithful, played by a fine character actress, Erzsi Pásztor) whose zeal has an innocence about it even in the fearful scene of her destroying an old workman with faltered evidence; the untainted, simple working girl, played by the excellent Eva Szabo, in private life Mrs Pál Gábor.

Maurice Haton is the most incorruptibly independent among British independent film makers, as a recent National Film Theatre retrospective of his output of film and television documentaries and two feature films showed. His own very comment on the NET tribute was: "The thing about the independent area is that films go from production to retrospective without the intervening stage of distribution."

His latest feature, *Long Shot*, at last gets the exposure of a run at the Everyman, though it deserves wider showing, as a very funny and satirical look at British cinema and, incidentally, British life at large.

Haton's first film, *Praise Marx and Pass the Ammunition*, was a sardonic examination of socialist dilemmas in late-Sixties Britain. *Long Shot* is disarmingly and deceptively simple. It relates the travels of one Charles Gormley (the like most of the characters in the film he is a real person, using his real name and, give or take a little, his own real experiences) trying to set up a feature film production in

partnership with the (real) writer Neville Smith. If they can get a name director, they can get the finance. They trek to the Edinburgh Festival to catch Sam Fuller, when he shows up, which he does not. They make a play for Wim Wenders, who does arrive, but spend most of their time on the telephone, bluffing or being bluffed. Back in London they talk to Susannah York, who is playing Peter Pan, talk to her agent, talk to Twentieth Century Fox, talk to John Boorman who says he could be interested when (along with all the rest) he has rewritten it.

It is in fact a sort of comic documentary, and, as a fairly faithful record of the state of British film and the technique of promoting a project, it has built into it both a wonderful absurdity and the labyrinthine nightmare of Kafka. In the same programme there is Bernardo Bertolucci's first film, *La Commare Secca*, which Haton has admired since its first appearance in 1962. Though you might not recognize it in this modest film the maker of *Last Tango in Paris* and 1980 Bertolucci's assured and singular. The subject was given him by Pasolini. A number of people are successively interviewed by the police as possible witnesses to the murder of a prostitute in a park. The film counterpoints their evasive or untruthful evidence with images of the scene

really happened at the scene of the crime; and with considerable ingenuity brings the affair to resolution. Franco Brusati's *Dimenticare Venezia* is a moodish, melancholy and engaging account of a family troupe trapped in the circle of their own dependencies. The family is dominated by Marta, a middle-aged but still glamorous one-time opera singer. Her adopted niece lives in the house with her girl-friend, while Marta's brother Nicky (Erland Josephson) is mysteriously drawn back by his memories, bringing with him a young man who is his business partner and lover. The spell is broken when Marta dies. As Anna ventures out into the wide world, and Nicky resolves to abandon the illusion of youth (which in his case really implies immaturity) there is a gleam of optimism in the memory-laden lives.

It is a film of excellent ensemble playing; heavy with atmosphere, as visions of memory intrude upon the present action; saturated with subtlety; intriguing in its psychological speculations; and generally making over a more interesting direction and writer (he is a playwright of reputation) than his earlier and very successful *Bread and Chocolate* might have suggested.

Sisterly Feelings  
Oliver

Irving Wardle

When Alan Ayckbourn made his uproarious National Theatre debut with *Bedroom Farce*, the simultaneous arrival of his latest play, *Sisterly Feelings*, at the West End left some of us thinking that the two shows ought to swap addresses, and that it was time to recall Ayckbourn to his manifest destiny of developing into a serious dramatist. Fortunately, these exhortations were headed off, and once again the National Theatre has chosen a fun piece. Whether or not *Sisterly Feelings* ranks as a "serious work" is beside the point. The point is that it shows him doing the things he does best.

We have plenty of writers who can dissect ailing marriages and class squabbles; but who else could plonk three bedrooms on a stage and get a farce out of them; or, in the present case, tell us of four variants of the same story on the random throw of a coin?

This already famous bet concerns the two sisters, Abigail and Dorcas, first having a bad time with their regular partners on the occasion of their mother's funeral; but then, perking up at the sight of the bemused and unattached Simon. Heads and Abigail gets him, to the gentlemanly chagrin of her inexorably ironic spouse; tails and Dorcas has him, to the bestrodden despair of her inarticulate poet boyfriend. As a rain-storm at the end of the second act gives each of the girls the chance to think again, you will have to spend four nights in the Oliver to see all the possible permutations.

At the end, you may emerge associated with his fine-drawn interpretative style, *Les Illuminations*. No need to concern ourselves with Sir Peter's qualities as a conductor: this event was not, I imagine, intended to inaugurate a new phase in his career. Let us say, then, that he piloted the ECO safely through the work, and produced from them a reading which, if not quite the tidiest I can remember, was certainly one that captured the work's exuberance and allowed due brilliance to its colours.

Les Illuminations was composed for a soprano, not a tenor; and although Sir Peter sings it like no one else it does not sound like a tenor. It is a high, clear, way from a high voice, and sung by Kathleen Livingston, who supplied a full, often gorgeous-sounding soprano.

The work he conducted was also by Britten, and one which, though not actually written for him, has long been particularly

ECO/Pears/Bedford  
Queen Elizabeth Hall

Stanley Sadie

Sir Peter Pears is 70 this month, and the event deserves to be widely celebrated. Aldeburgh is to hold a party, of course; Londoners had their chance to join the festivities on Wednesday, and what is more to hear his debut as conductor. He sang, too, gently and touchingly, a "lute song" from *Gladiator*: a small but happy reminder of the great music that the special qualities of his voice and his personality drew from Benjamin Britten.

The work he conducted was also by Britten, and one which, though not actually written for him, has long been particularly

Clive Barnes

reflecting on the accidental nature of human relationships, but this is a play in which the route comes far more than the destination.

As in ordinary life, the piece develops in answer to physical contingencies which prevent Ayckbourn from ever playing the god with his characters. You can see the characters being born out of necessity. When a man, for instance, would switch so easily between the two girls? A narcissist, obviously; and as soon as Stephen Moore jumps down between them as an offhand sample of the athletics to come, you have got his number. Dorcas and Abigail, likewise, telegraph their identities to come in the first moments of the waterlogged funeral party.

And the same goes for characters not involved in the game of chance and who some of the most astute and knowledgeable of modern children's books can only endorse the doubts and dismay of those who had hoped for some substance in the literature panel's promised recommendations.

Why should Mr Bragg consider it an understandable point of grievance that literature has always received a very small percentage of the Arts Council's budget? Doesn't this aptly demand money for literature and then decides how to allocate it rather than the other way round?

David Robinson

Arthur Crook

There was also a new work, written for the occasion by Robin Holloway, *Ode for oboes, horns and strings*, characteristically embodying quotations from Britten's music. It is a short work of some 10 minutes, laid out with care and refinement of ear, with a softly Straussian glow to its harmonies and its textures: a slightly juxtaposed excursion, perhaps, into a private, romantic world, distant from the one most of us inhabit. Stuart Bedford conducted it attentively; he also had charge of a distinctly unmercenary performance of Haydn's Symphony No 43 and Mozart's flute and harp concerto, characterized less by Witkowski's precise contribution than the unexpectedly virile harp playing of Orian Ellis.

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Literature  
Opening awards

While it is true that at the Arts Council's recent forum it did reiterate my belief that people who administer the funds of a charitable corporation should act as trustees and not benefit from the money that they distribute, Melvyn Bragg's article (May 19) suggests that my own participation was solely directed towards *Encounter* and its literary editor, Anthony Thwaite. That was not so.

What actually happened was that in answering another question, Mr Bragg quoted the grant to *Encounter* towards the cost of its literary pages as an outstanding example of enlightened literary patronage. I said, from the floor, that I thought this an unfortunate example, primarily because I considered *Encounter* essentially a political journal whose finances had been the subject of public controversy in the past and, secondly, because its position was bound to be inviolable while its literary editor remained a member of the literature panel's finance committee. I presumed to go together with the Council's appropriate officers, controlled the allocation of funds.

I was restating a principle, not attacking an individual, but this view was interpreted as a slur on Mr Thwaite, a poet and critic of proven integrity for whom I have the highest possible regard. The facts then were (as printed in the Council's annual report) that *Encounter* received its first subsidy of £5,000 in the year 1976/77 when Mr Thwaite was a member of the literature panel but not a member of the finance committee; the grant benefit available to any literary committee, or indeed on the literature panel, even if he has no say or vote on specific decisions.

Who does then make the decisions to allocate this or that money to particular causes or individuals? There is nothing sinister in seeking for public enlightenment information that is otherwise only recorded in the Council's or panel's minutes. Open government is very big in important areas, but not in politics. My own somewhat circumlocutory question at the meeting was about the then forthcoming National Book Awards: "In 1980/81 how much additional public money will be given to the award of existing literary prizes: how much will be given to judges of the Council's £22,500 prizes and how much spent on ceremonies; are there to be any other public costs and will members of the literature panel be allowed to benefit as judges, prizewinners, and/or gourmets?"

The answers were: £15,000 to top up existing prizes given by other bodies; £2,000 each to three judges; no benefits to panel members; and (thanks to Martini and Rossi) no expenditure on public ceremony. Questions that remain unanswered are: who sanctioned the expenditure of £28,500 on the three new National Book Award individual prizes; who selected the judges? How much selection and reading panel members did or did not do? How many of the potential entries did they have to do; was there preliminary sifting, and, if so, by whom was it done? These questions need to be answered because the Gilbertian farce of the first awards—once prize refused by a winning author who doesn't believe in state patronage of the arts; another awarded by the author of *An Arts Policy*; a title in which the question mark is all important; and the third laughed out of court by those who have any real knowledge of modern children's books.

Can only endorse the doubts and dismay of those who had hoped for some substance in the literature panel's promised recommendations.

David Robinson

Arthur Crook

There was also a new work, written for the occasion by Robin Holloway, *Ode for oboes, horns and strings*, characteristically embodying quotations from Britten's music. It is a short work of some 10 minutes, laid out with care and refinement of ear, with a softly Straussian glow to its harmonies and its textures: a slightly juxtaposed excursion, perhaps, into a private, romantic world, distant from the one most of us inhabit. Stuart Bedford conducted it attentively; he also had charge of a distinctly unmercenary performance of Haydn's Symphony No 43 and Mozart's flute and harp concerto, characterized less by Witkowski's precise contribution than the unexpectedly virile harp playing of Orian Ellis.

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There was also a















# Wanted: a fresh impetus in the disarmament talks

The Labour Party special conference on Saturday night attached great importance to ways of securing lasting peace and progress towards disarmament. The policy statement issued following the steps taken by the last Labour Government in such fields as non-proliferation and the Mutual and Balanced Force Reduction talks, Britain must again take a lead in disarmament negotiations, and that the arms race must be halted and war hysteria dispelled. It calls on the British Government to enter immediately into East-West negotiations with a view to reaching new agreements that would ensure that Cruise missiles and Soviet SS 20s are both withdrawn.

It is possible that such a negotiation could succeed using the interval between the deployment of Cruise and Pershing 2 missiles. The Labour Party must, however, also recognize that it is essential for Britain to carry weight in those negotiations with the Soviet Union and to convince our allies of our seriousness.

This means that Nato and Britain within the organization must be able to negotiate from a position of being ready to deploy Cruise missiles if the Soviets refuse to negotiate constructively over their already deployed SS 20s. The Soviet Union will respond if they see it to their advantage to make a deal. To make a deal we need to have an effective bargaining lever. Leverage is as vital in disarmament negotiations as it is in wage negotiations.

The whole area of arms control and disarmament needs, after Afghanistan, a fresh impetus. The United States, Soviet Union and Western Europe are all now embarking on yet another twist to the already spiralling arms race. Afghanistan should not be the excuse for turning back either on Salt or on the sustained pursuit of realistic détente. It should rather be the stimulus to try to achieve more, to reestablish a genuine bargain in which both sides gain important objectives and in which both sides trade off gains by accepting restraints.

The invasion of Afghanistan despite repeated public and private United States warnings to the Soviet Union about the grave consequences for United States-Soviet relations is an ominous portent for the future. We need to ask why the United States warnings were ignored. Would the invasion have taken place if President Carter had been seen to be capable of delivering Congressional support for Salt II? After President Carter's Vienna meeting with President Brezhnev it was reasonable for the USSR to expect that ratification of Salt II would follow.



Dr David Owen, the former Foreign Secretary, on how Britain can negotiate from strength in calling a halt to the international arms race

If she judged the prospects of ratification as being non-existent, at least before a new president was installed in 1981, the Soviet Union could have calculated that she had nothing to lose in East-West terms that really mattered to her by going ahead with the invasion. It is hard to escape the logic of such a hard-headed calculation when we now witness the differences amongst the key Western countries about what limited price should try to extract from the Soviet Union by way of retaliatory measures.

Salt II has a Joint Statement of Principles to apply to Salt III. This undertakes to deal with the Protocol to Salt II which commits the United States not to deploy ground and sea-launched cruise missiles of a range over 600km until December 31, 1981. Salt III is therefore committed to discussing the very weapons systems on which Western European countries, following the Nato decision over deployment, have a crucial interest.

I am very wary of accepting the concept of a Euro-strategic balance as distinct from the overall East-West global strategic balance. It was Chancellor Schmidt who first raised the so-called Euro-strategic balance in 1977 and it is West Germany which has argued strongly that the SS-20 should be discussed in Salt III.

Yet new intercontinental nuclear missiles have an incredible accuracy which challenges all strategic thinking since it States-Soviet relations is an ominous portent for the future. We need to ask why the United States warnings were ignored. Would the invasion have taken place if President Carter had been seen to be capable of delivering Congressional support for Salt II? After President Carter's Vienna meeting with President Brezhnev it was reasonable for the USSR to expect that ratification of Salt II would follow.

so-called theatre balance or Euro-strategic balance.

There is now a strong case for direct European involvement in Salt III. The US administration would not have faced a fraction of the Congressional problems with Salt II if Britain and West Germany had been full partners in the actual negotiations. If West Germany declines involvement and if Britain's other European allies agree, Britain should advocate becoming a full negotiating partner in Salt III as we did over the comprehensive test ban negotiations. British military as well as political opinion is divided over Britain's future nuclear choices. The projected three per cent per year real terms increase in the defence budget until 1984 is clearly not tolerable at a time of exceptionally low economic growth. The purchase of US Trident missiles and the building of the large and expensive nuclear submarines exclusively to carry such missiles should therefore be ruled out on cost grounds alone. This is not to endorse unilateral nuclear disarmament. Britain should extend the life of the existing Polaris fleet until 1995 at least and be ready to keep other nuclear weapons depending on arms negotiations. A decision on whether to purchase submarine launched cruise missiles is not needed until 1990 or later, since cruise missiles can be fired from the torpedo tubes of our conventional nuclear submarines. It is as foolish as the Labour Party to exclude the possibility of purchasing submarine launched cruise missiles 10 to 15 years ahead as it is of the Conservative Government to commit precious conventional defence resources now on the super sophisticated Trident missile system. Penetrating any future missile defence systems is essential for the United States but Britain has different strategic requirements. Nor will Nato need to have more Trident

missiles as Britain's contribution to the deterrent.

Britain will carry little credibility in asking other non-nuclear weapon states to take arms control more seriously if she is not even prepared to participate in negotiations herself because of the fear of including her own nuclear weapons. Britain cannot easily justify, only on grounds of national defence and national military requirements, her continuation of strategic nuclear weapons. Her possession or discontinuation of such weapons has a very high political content.

Ensuring West Germany stays non-nuclear and that France is not the only European nuclear weapon state are political not military objectives, as is ensuring that our public commitment to disarmament is to use our nuclear knowledge constructively in all arms control forums. A radical and positive role for a European Disarmament Conference could arise if scheduled for some years ahead, say 1982-3, and it could become the forum which would bring together and co-ordinate decisions taken in the framework of Salt, CTB, MBFR and Helsinki.

A 36-nation European conference would need careful prior preparation by a small group of countries. To avoid creating a new structure it might be worth taking Berlin as the focus. Quadripartite machinery between the Soviet Union, America, Britain and France as the four occupying powers already exists. Also in existence is the Bonn Group for co-ordinating views between France, Britain, West Germany and the United States. Not only do these meet at official level but also regularly at Foreign Minister level and from time to time coinciding with Economic Summits at Heads of Government level. At Gaudeloupe in 1979 the four Heads of Government were acknowledged to have discussed security issues. It is worth considering the possibility of a five-nation group including the Soviet Union, the United States, West Germany, France and Britain—would be an acceptable steering group to act as a link between the existing arms control forums which affect European security. In this way highly secret nuclear weapon systems might be discussed and the concept of nuclear free zones and some coherence and political leadership be given to the present disparate and disappointing arms control negotiations.

Based on an article by Dr David Owen in the May/June edition of the International Institute for Strategic Studies Journal Survival.

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## Thirty-six years after D-Day, a tribute to a great general

This morning in Whitehall Queen Elizabeth The Queen Mother will unveil the statue to Field-Marshal Montgomery on the anniversary of the June 6, 1944 landings in Normandy. The cost of the statue has been entirely met by his comrades and friends, more than 7,000 people subscribing. The statue is by Oscar Nemon, sculptor of the House of Commons and Guildhall memorials to Winston Churchill. The Field Marshal had given Mr Nemon several sittings 20 years ago. This tribute to the Field Marshal has been written by one of his comrades and friends.

Thirty six years ago I landed in Normandy, one of almost two million men involved in that undertaking. We had trained for the moment over many months, and we knew our task would not be easy; but we were inspired by the general commanding the operation—a small, wiry man in a tank beret who personified the sheer professionalism which now characterized our largely territorial or conscript army.

Once before I had crossed the channel in uniform—in early 1940 as part of the British Expeditionary Force, only to be driven back into the sea some months later. This time the feeling was quite different. In 1940 I had not even known the name of the BEF commander; whereas I doubt if there was even a civilian, let alone a soldier, who did not know in June 1944 who was in charge of the land forces preparing to launch the long-awaited Second Front.

Nor was General Montgomery a mere figurehead; his influence permeated 21 Army Group from top to bottom. Indeed he had spoken to every fighting man before D-Day. The clarity of our orders, the policy of ensuring that every man in the battalion, even the cook, should know the "plan" and be part of it, all stemmed from Montgomery. As the late Sir Francis de Guingand wrote in his recent book: "Professionalism was at last in; brave amateurism was out."

We put our faith in the Army Group Commander because we knew he would not fail us: would not ask us to undertake this great enterprise unless he felt it would be successful. He had brought 8th Army from Alamein to Tunis; he had conquered Sicily; and he had landed in Italy, relieved the threat to Salerno, and taken 8th Army to the River Sangro before being appointed to command the Allied assault landings on the coast of France.

Our Normandy bridgehead

## Monty: the man we know would not fail us



General Montgomery with a Beachmaster after the D-Day landing in Normandy

was deep and powerful enough on the British front to withstand the combined weight of the German infantry and Panzer armies in northern France as he intended, and after weeks of bitter fighting in the hedgerows we surrounded the bulk of the German forces at Falaise. Thereafter we crossed the Seine in advance of the outline plan, liberated Belgium and part of Holland and fought our way into Germany. There were disappointments—as at Arnhem; surprises—as in the Ardennes; but under Field-Marshal Montgomery (as he became in September, 1944) we felt assured of victory.

As a veteran, I feel to this day intensely proud to have served under indubitably the greatest British Field Commander since the Iron Duke, Field-Marshal Lord Harding, who has chaired the committee organizing today's statue and ceremony, once observed to me how strongly he felt the similarity between Nelson and Montgomery: "You see, Monty had that same ability to infuse enthusiasm, the willingness to fight, as did Nelson—in his men, as in his Captains."

The legacy which Montgomery left is as profound as that left by Nelson and Wellington, and it remains with us in

every activity and portance of our life. It is a necessity to be professional, and every soldier to about his task as part of the whole. If ever Britain "wanted" war in—it will be the war of Field-Marshal that will stand tall and inspiration to all, as Churchill said in Parliament Square.

Sir Denis

## Geoffrey Smith

# The difficult choice facing Mr Jenkins

Mr Roy Jenkins denied this week that there was any question of his leaving the presidency of the European Commission before his term of office expires at the end of the year. But when he speaks to the Commons Parliamentary Press Gallery on Monday he is expected to indicate that on his return he will again take an active part in British politics. If so, what are his options? He cannot go back to the Labour Party after his Dimbleby Lecture last November. He had closed that door in his own mind before then, but that was the occasion when he made the extent of his disenchantment public. There can be no going back if he is to preserve respect.

Should he then pitch his standard and call for volunteers for a new centre party? That is what has been widely forecast but the term "centre party" has been used so loosely that it means different things to different people. There can be no question at this stage of a new political movement embracing the Liberals, right-wing rebels from the Labour Party and a sprinkling of left-wing Tories. Whatever the theoretical attractions of such a grouping it is simply not a practical proposition in the near future.

The only kind of new centre party that might be feasible would be a

social democratic breakaway from the Labour Party. Such a splinter group might hope to have an electoral pact with the Liberals and an agreement to consult with them in Parliament afterwards. But would it look a credible political force?

The essence of the British political system is that it depends upon parties, not personalities. A single personality, no matter how eminent, is not enough to make a party. Mr Jenkins would therefore be taking a foolhardy gamble if he were simply to take the personal initiative of standing in an early by-election as an independent Labour or social democratic candidate.

If he won he would gain no more than an individual seat in Parliament, and he would very likely suffer the humiliation of defeat. Nor would it be enough for him to go public with those people of like mind from outside Parliament with whom he has been in close consul-

tion—men like Mr Dick Taverne, Mr Colin Munnings, Mr Michael Barnes, Mr David Marquand, Mr Anthony Lester and Lord Harris of Greenwich. None of them now sits in the House of Commons and collectively their names are not sufficiently widely known to the general public to convey the necessary impression of political weight.

The key question is whether Mr Jenkins could attract members of the present House of Commons. The most that he could hope for would be to win over Mrs Shirley Williams, Mr William Rodgers and up to ten others. The pivotal figure here is Mr Rodgers, partly because he is still an MP, partly because he is not, though she is expected to return to the House in the not too distant future—and partly because he has a reputation as a particularly shrewd tactician. If he were to move, probably another half dozen would go with him. Without him,

Mr Jenkins would be lucky to pick up the odd straggler MP. There is now less chance of Mr Rodgers and the others moving than there was when he spoke openly in a speech at Abertillery last November of Labour having only about a year in which to sort itself out. Now there seems a better prospect that the right will win the constitutional battles within the party in any case, serious and practical politicians do not break away from a major party on a basis of theoretical calculation. They do so only when something happens that makes them feel it is impossible to stay. It is not easy in this instance to see precisely what that something could be. A general disaffection, yes. But what would provide the final push?

It could be unilateral disarmament if that becomes a major issue again, as it may well to judge from last Saturday's special party conference. But one vote for uni-

lateralism at an annual conference would not be enough to drive the Labour democrats out of the party. They would, like their mentor Hugh Gaitskell, fight and fight again within the Labour ranks for at least another year.

## Good-humoured

So the odds are against a break-away of any significance from the Parliamentary Labour Party. If it does not occur, any attempt by Mr Jenkins to set up a new group would, I believe, be doomed to failure. It would not look credible to the electorate. No less important, it would not look credible to the Liberals.

When the Liberal council discussed the question of a centre party at Worcester three weeks ago

delegates engendered such an atmosphere of good-humoured confusion as to make it hard for observers to be sure precisely what they meant. I drew a number of conclusions from watching this remarkable demonstration of party democracy in action.

There is a strong gut feeling within the party against any electoral pact. The leadership could none the less secure the acquiescence of the conference to a deal with outside forces that was actually on offer, if it seemed to hold out the prospect of a political breakthrough. But such an exercise in persuasion would set up strong tensions within the party, and it would not be easy to get an agreement implemented at local level—where the Liberal candidate would be required to stand down in particular seats in favour of a social democrat.

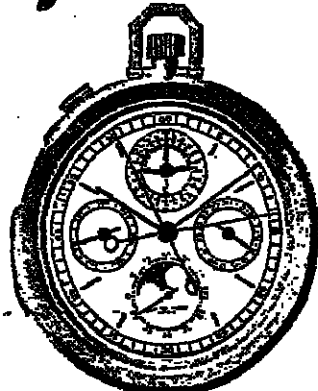
The agreement would be easier to

implement, and the has well worthwhile, if done with a substantial force. But if the prospect seemed to amount to more than Mr Jenkins and circle, the Liberal have difficulty in del side of the bargain an up-moore trouble than in the struggle. Yet with total pact with the Lil social democratic gro have little chance of ground.

Does M Jenkins have option? He could join A group that would no as a separate party co less bring a considerable strength to an exist Liberal are in busines party, and strength would have a greater British politics than m successful effort to f party.

Opinion about such sharply divided among friends. He himself regarded it with misgiving. Liberal activists in would be unenthusiast who are seriously in p tical power cannot aff fastidious.

## "Widely acclaimed," he conceded, "but scarcely well known."



He formed the words reluctantly, as though afraid "La Grande Complication" might lose some of its aura through the mere suggestion of being famous.

Whilst, as I pointed out, awareness of this extraordinary masterpiece of the watchmaker's art cannot dull its brilliance, its price of £40,000 means that few people will ever know the pleasure of owning one.

Everyone else, I reflected, must be content in the knowledge that such craftsmanship still exists today.

As if reassured, he handed the slender chronograph back to me, his fingers lingering for a moment on the finely edged gold case.

**Audemars Piguet**

Illustrated brochure and a list of appointed jewellers is available from Audemars Piguet, 73 Saffron Hill, London EC3N 8RS.

## MOSCOW OLYMPICS DIARY

# Watch your footwork on the escalator

It is going to be a far smaller party than the hosts had originally planned but Olympic officials, hotel administrators, tourists and especially the KGB are probably all secretly relieved. The Mayor of Moscow has just revealed that the Soviet capital is now expecting only 100,000 foreign visitors for the Olympics—only a third of the pre-boycott estimate.

Still, as the Mayor blandly remarked at a recent press conference, the small number will probably get better service. But the Russians are leaving nothing to chance. All Moscow is now frantically busy getting things ready for what will still be the biggest influx of foreigners since the Second World War invasion.

June has been declared a month of shock work when finishing touches are put on the sports complexes, the hotels are spruced up, the taxi drivers swear up their laboriously learnt smatterings of English, French and German, the last few coats of paint are sloshed over any structure still unpainted and as many potholes as possible are filled in to give the summer visitors a smoother ride.

Already the city's master plan to cope with the crowds has begun to swing into action. The capital is now closed to all non-Moscovites, who will have to

wait until after the Games before swooping in for any remaining goodies which are rumoured to be about to appear in the shop windows—and perhaps also on the counters.

Notices have gone up on the city boundaries telling foreign drivers to keep out though many seem to be taking little notice. Schools have broken up and children have been sent in endless bus convoys to peaceful summer camps far from the noise and crowds. The universities have finished a month earlier than usual and 85,000 students are now learning their new trades. Some 17,000 will act as cooks, 22,000 as waiters and hotel staff, 9,000 as guides, 2,000 as assistants at the sports complex and others generally making themselves useful.

## Specialities

With fewer tourists it will probably be easier to get a bite to eat. The Olympic menu officially boasts 400 dishes—mushroom soup, apples boiled in honey and Russian pancakes are among the specialities that Tass considered most delicious the athletes themselves will have another 100 to choose from, including a special

Olympic chocolate with high tonic qualities. But though Pepsi stands have begun to sprout all over town, Coca-Cola, which was to have been the official Olympic drink, will not, after all, be able to delight and refresh because of the American boycott.

It is going to be a nightmare trying to move around in Moscow during the Games. Some 170 streets and thoroughfares have been designated special Olympic routes and ordinary cars will be banned unless they have special Olympic stickers (I can already see a potential for a thriving black market).

Athletes in their tower blocks in the Olympic villages will have 1,000 buses to ferry them to their venues. And the City of Moscow is to borrow 6,200 new buses from other towns to help it move the crowds. The other towns will have to manage as best they can.

Signs in Latin characters will be going up on the Metro to tell foreigners where they are (a tip for those venturing underground for the first time: the escalators already move very fast and are due to speed up by 25 per cent, so watch your step getting on. And when the train arrives at a station, the driver also announces the name of the next station. It's worth getting

ready a station in advance so that you can start pushing your way to the door).

It has been raining a lot here recently and everything is green and fertile. All the flowers planted in every prominent patch of land a few weeks ago are blooming and the city centre looks rather splendid in its new decor and unaccustomed tidiness. Visitors probably will not get out to see the suburbs, which is just as well.

The "cleaning" has removed a number of eyesores, such as drunks who have been dispatched a long way away in dry out. And most of the prominent dissidents are locked up out of harm's way. Even those who generally kept a fairly low profile have thought it prudent to take extended summer holidays over the Olympic period in case the KGB was thinking of making other arrangements for them.

The best ballet dancers and musicians are rehearsing for the cultural feast that is to be provided during the Games and the Olympic muses have inspired Soviet artists with some very profitable themes: one lucky composer has had his creation accepted as the official Olympic anthem; a poet and translator has compiled an anthology of Olympic poetry and Olympic songs, ditties and

slogans are being published by the score.

Actually, the slogans have been toned down a lot by the boycott and the political furor and the Russians now enthusiastic champions of the separation of sport and politics, are being careful not to make obvious party political capital out of the Games.

## Striving

True, the 15 officially approved slogans do include some pithy quotations from the speeches of President Brezhnev—"the USSR has supported and will support the modern Olympic movement" and "The Olympic Games reflect the invincible striving of mankind towards peace and progress." But the 13 others seem suitably banal and harmless: "Faster, higher, stronger"; "Oh sport, you are peace" and "the Olympics—in the name of peace and to the glory of sport."

The Russians will contest every Olympic event this year for the first time and will doubtless do very well. The current Soviet squad of more than 500 will make an impressive sight at the opening ceremony in their newly designed Olympic uniforms.

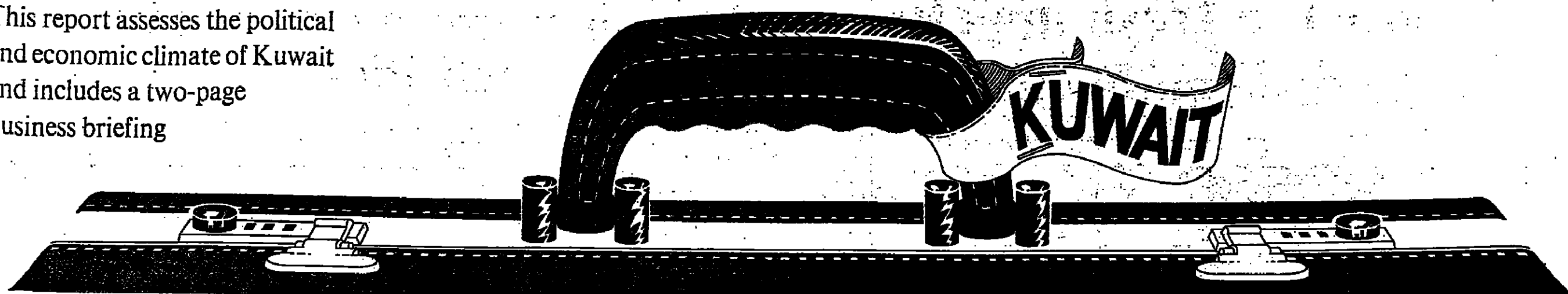
Nobody here sees how the British fare. They will offer official help from which has been sulk at their press have an earnest young Russian to their interest. Shurmin, director of the School of Kuchly, Ireland's attaché when Brit is attaché he off after our athletes.

No-one here sees many teams and finally take part. They keep saying door as well as change these and many teams as Montreal. There is one gro be glad to see the musicians play. They are and will have announced so that athletes would live and not predict orchestra was so every one, and a level this meant go for two months they will now them altogether.

Micha



This report assesses the political and economic climate of Kuwait and includes a two-page business briefing



## The 'smart operators' of The Gulf

With characteristic finesse the Kuwaitis have succeeded in establishing themselves as respected advisers to the Arab world. For a nation which has progressed from a nomadic life to a modern state in less than 25 years it is an astonishing achievement. But Kuwait's delight in describing themselves as "smart operators" of the Gulf and they see it as a strategic move to the emerging Gulf states and more recently to the rest of the Arab world.

Through Shaikh Saad schemes as well as the establishment of rail and water links. Shaikh Saad's recent talks in Baghdad, Amman and Damascus, however, can be seen in the wider context of the forthcoming Arab summit meeting to be held in Jordan as well as a move to strengthen—to use an expression of a local newspaper—the Arab "Eastern Front" in the confrontation with Israel.

For establishing an accord with Iraq, Shaikh Saad was given a hero's welcome home by the Kuwait press and there is no doubt that this is seen as being far more important than anything that has happened so far in Iraq. It is true that there is a significant minority of Shia Muslims in Kuwait and many of them, it seems reasonable to assume, will have close relations in Iraq. But there is no evidence in Kuwait of any wish to emulate the Ayatollah's revolution and it is probably safe to assume that money and other local manifestations of affluence have been enough to suppress such extremist fervour as might have existed.

One form of Arab radicalism that is occasionally spoken of in Kuwait, and not entirely in jest, is the possibility of readopting the Arabic purnal system instead of the Persian-Indian that is at present in use. It would be a reform that Westerners would welcome and one that would probably have a good chance of being accepted without incident.

Western influence in Kuwait despite Britain's early, and indeed continuing part in joint projects in friendly relations is not particularly strong and not particularly encouraged. Kuwaiti law requires a local majority holding in every company. But it is gratifying to be able to report that the suk, the market area of Kuwait City one can occasionally hear the adjective *Londoni* used by a merchant to describe his high-class goods. It is a term indicating quality rather than source of origin though there have, in fact, been cases recently of false British origins applied to goods, usually found to have been manufactured in the Far East. New regulations are to be introduced to tighten up the law against such deceptions.

But, while Kuwait can afford to keep any Western association at arm's length if that is considered desirable, there is also evidence of a willingness to enter mutually profitable ventures when opportunities arise. One notable example can be seen in the benefits that France is to receive from the visit of President Giscard d'Estaing earlier this year. This has led directly to an agreement for the direct purchase of crude oil from the Kuwait National Oil Company by the French CFP and Elf Aquitaine companies, both of which are state-owned, thus eliminating the previous practice of using British and American firms as middlemen.

The agreement also provides for the French and Kuwaiti companies to take the list of foreign assets owned by the major Gulf oil producers. It seems surprising that an economy with that kind of financial backing could experience a slump or even a slight recession. But modern international economics has lessons for even the wealthiest and, although Kuwait carefully avoided the uncontrolled growth of many of its Gulf neighbours in the mid-1970s, it has deliberately imposed restraints on government spending over the past three years or so. The result has been to keep inflation down to an annual single figure though inflationary pressures are expected to keep it near 10 per cent in the current financial year.

The Kuwaiti policy of diversifying its industry so that there is less dependence on oil is being pursued vigorously even although in the light of the recent cut-back to 1,500,000 barrels a day, the oil reserves are expected to last for well over a hundred years. In this context Mr. Ali al-Moussa, assistant under-secretary of the Ministry of Planning, spoke recently of the need to be competitive on an international scale and also of possible links with the European Community.

Some Arab countries are trying to work with the EEC in one way or another, said Mr. al-Moussa. "Cooperation is inevitable and although there might be some delays we must not wait for all Arab countries to act at the same time before a move can be made." On the question of diversification generally, however, Mr. al-Moussa pointed out that all of the Gulf countries, having basically the same resource, have been trying to develop the same kind of industries and this has meant that the emphasis has been on petrochemicals. "But Saudi Arabia has recently commissioned five new petrochemical plants which is obviously in competition with what the other Gulf countries are doing."

Kuwait clearly seems poised to take a leading role in the industrialisation of the Gulf as it has done in finance and banking and in its pioneering of generous aid schemes to the Third World through the Kuwait Fund for Arab Economic Development and other institutions. For some years commentators have been suggesting that Kuwait could take over from Beirut as the financial, banking and commercial centre of the Middle East. Another comparison might be made with Switzerland. It is one that gives Kuwaitis great satisfaction.

Kuwait is the only emergent Gulf state to have established and retained diplomatic relations with the Warsaw Pact countries and it is this, more than any aspirations towards Middle East financial and banking status which may eventually justify its claim to be the adviser to the Gulf in its present crisis.

Alan Grainge

## Sitting on 100 years of oil

More than any other Arab state, Kuwait can be said to sit on a sea of oil. Its reserves of 81,000 million barrels are second in the Middle East, only to Saudi Arabia's. At the present rate of production of 1,500,000 barrels a day they will last for 100 years.

The Shaikh of Kuwait had granted the Kuwait Oil Company, owned jointly by British Petroleum and Gulf Oil, an exclusive concession to explore and produce in Kuwait and its territorial waters for a distance of six nautical miles offshore. Four years later, the two multinationals discovered the Burgan field.

Production began after the Second World War and capacity, throughout the country was gradually raised until in 1972 a ceiling of 2,900,000 barrels a day was imposed.

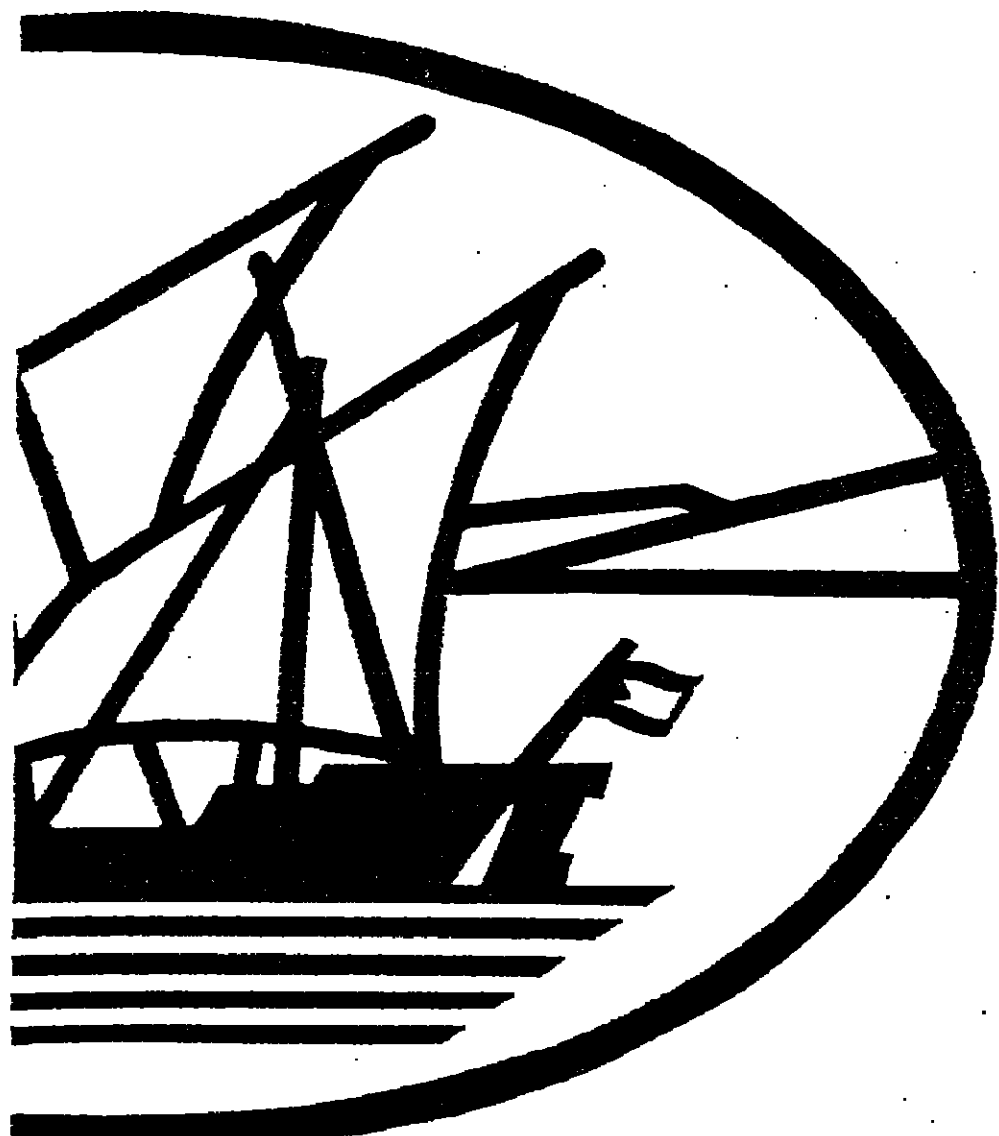
In Kuwait the divergent interests of the oil multinationals and the country in which they operated could not be more marked. At a production rate of three million barrels a day, the oil would have been exhausted within 45 years.

Kuwait's wealth depended on the oil. The companies, on the other hand, had other sources of crude. Once Kuwait's oil was exhausted it would have only the income generated from past sales and invested, largely in Western industrialised nations, to keep its revenues up.

As a result, Kuwait has emerged as a major force in Opec. Its oil minister, Shaikh Ali Khalifa al-Sabah, has

continued on next page

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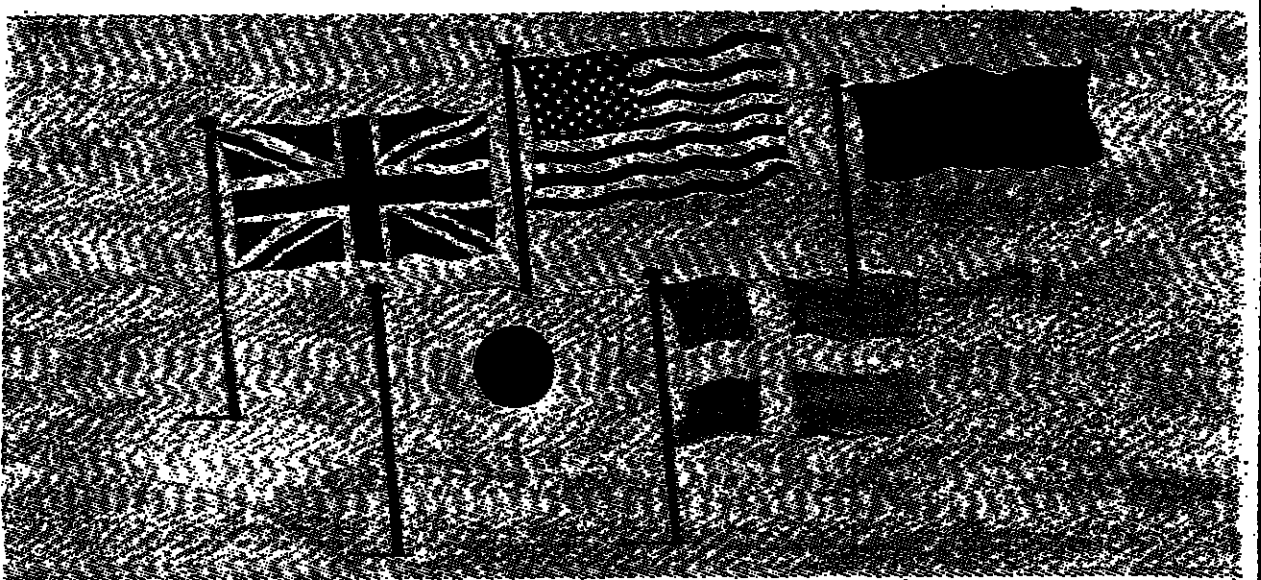
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## KUWAIT

## Plan to coordinate petroleum activities

Within the past 12 months Kuwait has quietly put together a massive plan to coordinate its oil production and all related activities. On January 27 the plan assumed its final shape when a new state-owned controlling company, Kuwait Petroleum Corporation (KPC), was established under Amiri Decree No 6, 1980, to take charge of the companies responsible for oil production, refining, planning, shipping, marketing and the production of liquefied gas and petrochemicals.

The KPC brings together the two major oil companies, Kuwait Oil Company (KOC) and Kuwait National Petroleum Company (KNPC), and also the Petroleum Industries Company (PIC) and is headed by Shaikh Ali Al Khalifa Al-Sabah, the O.P. Minister. It is within this framework that Kuwait's petrochemical industry will be coordinated and the most significant development towards this end took place in February last year when the huge liquefied petroleum gas (LPG) plant at Mina Al-Ahmadi was opened.

The LPG plant, officially referred to as the Gas Project, cost 300m Kuwaiti dinars (about £490m) to build and is reported to be the biggest of its kind in the world. It is certainly bigger than Kuwait actually produces at present. The Al-Ahmadi plant is designed to process the associated gas

from oil production of three million barrels a day (b/d) but with Kuwait's current oil production ceiling fixed as recently as April 1 at 1,500,000 b/d, it rather seems that it is about twice as big as the country requires. The official reply to such suggestions, however, is that the Al-Ahmadi plant offers ample scope for growth.

"It will comfortably meet the nation's current requirements," a KOC executive said, "as well as giving scope for increased production should Kuwait decide that its interests are best served by an expansion of oil extraction in the future." While the present policy appears to be one of postponing such expansion the Gas Project deserves to be noticed even if it is only to work, for the time being, at half capacity.

The first feasibility study was undertaken in 1972 in an attempt to avoid the waste of gas by flaring off unusable quantities, a process which had lit up Kuwait's night sky in the desert ever since the first oil exports in 1946.

In the years after the initiation of the feasibility study enough progress was achieved in using the gas of which, by the mid-1970s, more than 60 per cent was going to local industrial and domestic use or was being re-injected into oilfields to enhance crude recovery methods. Even so, it was considered that the 40 per

cent that was still being flared was far too important to be wasted and that it should be put to better use. The Gas Project, therefore, was designed to extract propane, butane and natural gasoline, the feedstock for petrochemicals, from all the gas associated with crude oil production in Kuwait.

In providing the essential feedstock, the LPG plant at Mina Al-Ahmadi—described by the official as "the heart of the Gas Project"—is crucial to the development and coordination of Kuwait's petrochemical industry. This is the function of the Petrochemical Industries Company (PIC), now a major and virtually independent member of the KPC group.

Mr. Amir Behbahani, PIC's deputy managing director for planning and development affairs, speaks enthusiastically about the possibilities of Kuwait's unique petrochemical capacity and the profits it is capable of generating. "It is important to remember that each process in petrochemical production adds considerable value to the product."

"When you refine crude oil you double its value but with some initial petrochemical processes, you can increase the value by 10 times. With other processes further downstream one must think in terms of adding as much as 100 times the original value."

PIC plants are already producing such basic petrochemicals as fertilisers, aromatics, plastics, insecticides, solvents and agro-chemicals in large quantities.

But what about the future? Mr. Behbahani said: "This is a highly specialised and sometimes speculative field and we are certainly not ready for it yet."

PIC has two manufacturing divisions: one for fertilisers and the other for salt and chlorine. The fertiliser division produces ammonium sulphate, urea, sulphuric acid and ammonium sulphate. There are three ammonium plants with a 380,000 tonnes per year capacity, three urea plants with a capacity of 750,000 tonnes a year, one ammonium sulphate plant (165,000 tonnes a year) and one concentrated sulphuric acid plant (132,000 tonnes a year).

The PIC fertiliser division exports most of its products and the urea plants are China, India, Pakistan and Jordan. The salt and chlorine division of PIC was acquired from the Ministry of Electricity and Water whose plants were originally used to meet local demand only. The company will give first priority to local needs, as some of the products manufactured are essential for power generation but surplus products are sold.

As the quantities produced by the salt and chlorine division are considerable, the cost to penetrate markets in the area is high. The salt is used in a number of ways, for example, to produce soda ash, which is used in the glass and paper industries. It is also used in the production of chlorine, which is used in a variety of chemical processes. The salt is also used in the production of soda ash, which is used in the glass and paper industries. It is also used in the production of chlorine, which is used in a variety of chemical processes. The salt is also used in the production of soda ash, which is used in the glass and paper industries. It is also used in the production of chlorine, which is used in a variety of chemical processes.

Nicholas Hirst  
Energy Correspondent

which males outnumber females by 776,125 to 579,702.

It is difficult to become a Kuwaiti. To be entitled to a vote it is necessary to prove that a family was resident before 1920, and to other civil rights, before the mid-1940s. A few people are naturalized every year but this is by grace and favour of the ruling family. Although there is a general right to participate in commerce, citizens cannot own land or trade in shares. The system has created waste, with little incentive for inhabitants to take productive jobs. The Amir Shaikh Jaber said in December that more than 65,000 of the nationals and expatriates working for the Government were unnecessary and were only in employment for humanitarian or social reasons. In such conditions there has inevitably been a high rate of illegal immigration, with aliens swarming to fill jobs.

With the uncertainties following the Iranian revolution and discontent among Shia in November, culminating in demonstrations outside the United States embassy, the authorities began a purge of illegal immigrants. Reports that more than 18,000 have been repatriated are almost certainly exaggerated.

John Middle East

## Tight laws control economy

payments on the final instalment for contracts until firms present a discharge certificate issued by the income tax control department.

This measure, which has been expected for some time, is designed to prevent the sort of commercial free-for-all which prevails elsewhere in the Gulf. As local companies are exempt from tax it is seen as another attempt to ensure local control of the economy.

How much protectionism the economy can take is another question. While it is fairly easy to enforce agency law and to require contractors tendering in the government sector to buy documents through their local partners, other aspects of protection have proved more difficult. The Government has the power to restrict the imports of manufactured products for which more than 75 per cent of demand could be provided by local industry.

Experience has shown that import substitution industries do not cut out the dependence on imports. There has to be a political will as well as the economic justification since applying a ban would usually result in a prominent merchant house losing a slice of its import business. Mr. Abdul Aziz Hamad al-Sagor, president of the Kuwait Chamber of Commerce and Industry, speaking at a conference last March had wider-ranging criticisms. He wanted to see better coordination between the public and private sectors. Mr. Sagor said: "We notice that the Government is participating in private sector industrial ventures which cannot be considered important or strategic. In many cases priority is simply a matter of which industry applies for a licence first."

In reply, Mr. Ali al-Moussa, the Planning Ministry's spokesman, said that deciding priorities purely on the basis of economic feasibility would be a mistake. (Ironically this is the basis of Kuwaiti investment in other Third World countries.) Mr. Moussa thought protection should be given by the Government to certain industries even if the consumer had to pay more for the product. This applied where the benefits of an industry did not immediately show up in cost analysis.

A debate of this sort suggests that Kuwaitis are alive to the issues. With only 2 per cent of the native workforce employed in industry, their attitudes will inevitably have a rentier character. The latest official census claims that Kuwaitis make up 41.5 per cent of the population of 1,355,827, in

which males outnumber females by 776,125 to 579,702.

It is difficult to become a Kuwaiti. To be entitled to a vote it is necessary to prove that a family was resident before 1920, and to other civil rights, before the mid-1940s. A few people are naturalized every year but this is by grace and favour of the ruling family. Although there is a general right to participate in commerce, citizens cannot own land or trade in shares. The system has created waste, with little incentive for inhabitants to take productive jobs. The Amir Shaikh Jaber said in December that more than 65,000 of the nationals and expatriates working for the Government were unnecessary and were only in employment for humanitarian or social reasons. In such conditions there has inevitably been a high rate of illegal immigration, with aliens swarming to fill jobs.

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John Middle East

## Sitting on 100 years of oil

continued from previous page

of oil in real terms far below the 1974 high.

A glut of supplies on the market had cut Kuwait's sales and in early 1977 a low level of 1,400,000 barrels a day was reached. Price rises over the past 18 months have made not much more than that figure an acceptable output, but at the time, this was far from the case.

Through 1978 both price cuts and extended credit was offered, and production rose from the depressed 1977 level. The fact was, nevertheless, that Kuwait was producing more crude than it wished to for the longer term.

The Iranian revolution came to the rescue of Kuwait, as it did for Opec generally. It is easy now to forget that throughout most of 1978 oil industry observers had thought it unlikely that Opec could introduce a price rise, and make a stick.

At the December meeting in Abu Dhabi, a rise, which would have meant an increase of 14.5 per cent by the end of 1979, was imposed. It was much more than most commentators had expected, and was entirely due to the neutralization of Saudi Arabia's extra capacity by the cutbacks in Iran.

For Kuwait, the return of the power to the seller could not have come at a better time. Shaikh Ali Khalifa had been saying to anyone who was prepared to listen that Opec should recover the losses caused by dollar erosion and inflation. Opec seized the chance with both hands, and Kuwait was able finally to wrest all power from the multinationals, and reduce its production to the level it wanted.

The five-year deals signed with Gulf and BP when full control was taken of the Kuwait Oil Company, ran out at the end of March

1980. BP took 450,000 barrels a day and Gulf 500,000 barrels a day with both companies having the option to lift 10 per cent more. Shell, meanwhile, signed an agreement to lift 360,000 barrels a day, with an option to raise or lower its take by 45,000 barrels a day on October 1, 1978.

The ending of the two largest contracts, therefore, came at the same time as Kuwait intended to cut back its production to 1,500,000 barrels a day.

Initially, Kuwait demanded to be offered interests either in the multinationals' downstream refinery, or in exploration outside the Middle East. The companies were far from happy with this. Then, seeing Iran still managing to sell some of its crude, despite the far higher prices it was demanding than other Opec members, Kuwait offered contracts with half at government selling price of \$27.50 and half at a premium of \$5.50. Shell was called in for renegotiation, even though its contract did not expire until six months later.

As a result Shell and BP agreed to lift 75,000 barrels a day at the basic price, with BP taking a further 75,000 at a premium and Shell 100,000. Gulf elected to take only the 75,000 at the basic price.

With Japan and other nations short of crude scrambling for supplies, Kuwait had had no difficulty in selling the remainder of its oil. The near absence of has developed for crude has allowed for less dependence on the multinationals, on the diversified market to aim at, and so more control over prices and production.

Nicholas Hirst  
Energy Correspondent

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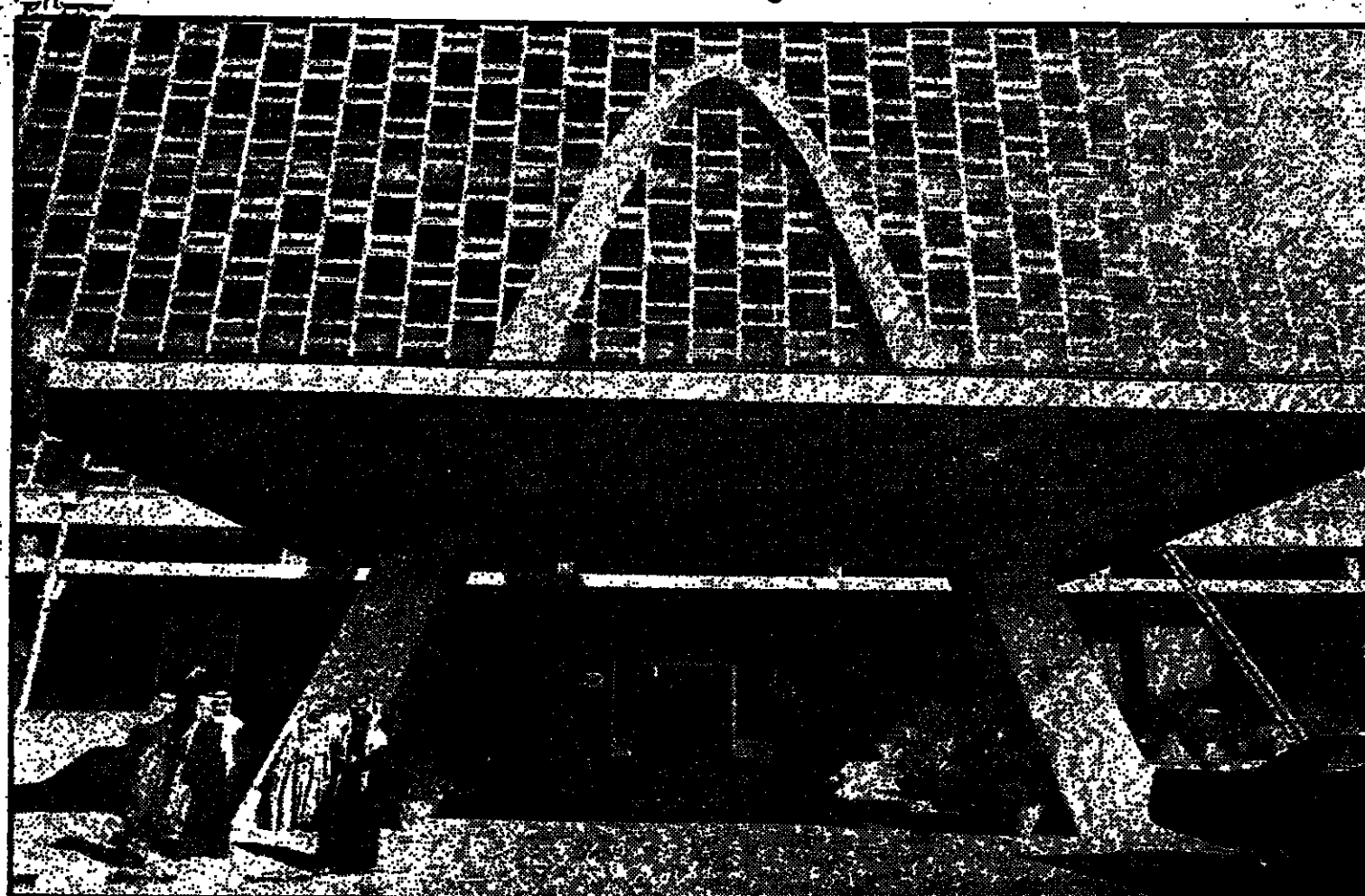
## Nationals benefit from world's most generous welfare system

At six in the morning the Kuwaiti capital, Kuwait City, is still in the grip of the night. The streets are empty, the cars are parked, and the city is still in the grip of the night. The streets are empty, the cars are parked, and the city is still in the grip of the night.

A benevolent Government, even though it still carefully controls its extraordinary oil wealth, provides Kuwaiti citizens with the most generous welfare system in the world which effectively removes any problems about the provision of housing, education or health care. One estimate which appears to have been accepted by the Kuwaiti authorities has suggested that in a normal life-span the individual Kuwaiti can expect to receive government benefits totalling about \$125,000.

One of the problems facing the Kuwaiti authorities, however, is that the country's own nationals comprise fewer than half the population. The latest census published a few weeks ago shows that the Kuwaiti population is 360,000 (34 per cent) in five years. The increase has been due largely to the continued influx of foreigners, who make up the essential workforce: and there are now estimated to be some 350,000 Palestinians and about 150,000 Egyptians as well as other Arabs and large numbers of Indians, Pakistanis and Koreans working in the country. There is also an unexpected thriving Roman Catholic community.

While the native Kuwaitis are the only ones enjoying first-class citizenship, it is generally recognized that it is becoming important to offer some kind of status to those non-Kuwaiti Arabs who have lived and worked in the country for some time. At present even the Palestinians, whose cause the Kuwaiti Government strongly supports so long as it is isolated as an Israeli problem, are no more than



The striking architecture of Kuwait's parliament building.

### second-class citizens.

Occasionally exceptions have been made when the authorities have conferred full Kuwaiti citizenship on a Palestinian. One instance of this which received popular acclaim was the granting of Kuwaiti status to the national football team's Palestinian goalkeeper, Ahmad.

That kind of honorary citizenship, however, is likely to remain exceptional. A prominent Kuwaiti newspaper editor put forward the case for redressing the imbalance between natives and others by granting to long-serving Arab expatriates citizenship of a certain category to be created for the purpose.

If it is difficult to come to the status of first-class citizen, it is apparently easy

enough to lose: the local newspapers from time to time carry reports of unfortunate who, for reasons which remain obscure or at least unreported, have lost their coveted Kuwaiti citizenship.

But it is characteristic of Kuwaiti life that discrimination and the identification of different classes of citizenship appear to be accepted without, on the surface at least, any organized protest. More than a fifth of Kuwaiti citizens, for instance, are Shi'ite Muslims, many of them with Iranian origins, and they have traditionally been excluded from positions of responsibility or influence. So far, the Shi'ites have not formed a unified group though many openly supported the Ayatollah Khomeini on his assumption of control in Iran.

The Kuwaiti authorities, for their part, though careful

to acknowledge the mood of Moslem radicalism in the region, have not shown any signs of unease at the presence of such a large enclave of potential opposition; but they would undoubtedly repress with considerable severity any attempt to interfere with the state's security.

It is recognized by many Kuwaitis, however, that the members of the Government, that political agitation in the future may come from students now reading for degrees at universities abroad. The latest Ministry of Education figures show that there were last year 2,925 Kuwaiti students at foreign universities. Of these, 269 were in Britain, 1,367 in the United States, 51 in France and 21 in the Soviet Union. Most of the others were at universities in Arab countries.

The proposed revival of the National Assembly will at least provide a means of

public debate that does not at present exist. But the fact is that few Kuwaitis are prepared to deplore the decision in 1976 to suspend the former assembly. It appears to be generally agreed that it had become a disruptive element which delayed legislation and had become merely the battleground for disputing factions, some religious and others—like the Kharabists—politically radical.

A special committee is now examining the question of reviving the assembly and it is expected to report to the Emir, Sheikh Jaber, in August. Informed observers expect the new assembly to become operative by the spring of next year and that it will take the form of a consultative council combining government-nominated and elected members.

One of the questions being examined by the com-

mittee is whether the new assembly should have only 50 members, like the previous assembly, elected from 10 constituencies. It can be assumed, however, that it will not recommend that the assembly be modelled on the Western style of parliamentary democracy.

The Kuwaiti authorities have developed a system that is both benign and paternalistic and it clearly satisfies the average Kuwaiti non-voter as he glides sedately down Arabian Gulf Street in his Cadillac. But to prevent the younger generation getting too soft in its easy-going, affluent lifestyle the Government has recently introduced compulsory national service. "Othayyis", a government official said, "no young rich merchants' sons would do anything all day but sit around playing the stock market."

## Fund prefers projects to programmes

The Kuwait Fund for Arab Economic Development is something of a showpiece. It is the oldest and richest of the Arab aid funds, having been established in 1952 before oil wealth changed the face of the Gulf. Yet it represents only one aspect of Kuwait's development aid, though possibly one which will continue to grow.

The fund's recently published figures for the fiscal year ended June 1979 show that in 1978-79 there were 25 new loans valued at a total of KD57.5m (\$212.9m) which was nearly double the loans extended during 1977-78. This brings the cumulative value of the 142 loans made by the fund since it started to more than \$2,000m expressed in commitments to 48 different countries. Interest rates, as before, are development agency, were on soft terms extending from 0.5 per cent to 4.5 per cent including service charges with final maturities varying between 15 and 39 years.

The fund, as its title suggests, is still oriented primarily towards the Arab world. The latest figures show that the bulk of 1978-79 commitments went to Arab countries at \$221.2m, with Asian countries second at \$98.6m and African countries third at \$41m. For the first time a loan was made to a country in the Pacific with Papua New Guinea getting a \$3.6m loan for port development.

One change in direction has been to "seek co-financing" with other agencies. Eighteen out of the 25 loans made in 1978-79 were with other Arab funds, regional or international development agencies. There were three assistance grants for technical evaluation of projects made to Guinea, Rwanda and the Maldives each of \$1.1m.

The breakdown of 1978-79 loans shows that by sector power generation took 30 per cent of the money, industry 25 per cent and agriculture 16 per cent. Loans to Asian countries were almost entirely concentrated in refineries, Kuwaiti crude oil power whereas in Africa the transport sector made for more than half.

The fund's work in Arab countries covered agricultural schemes (23 per cent) and industry (42 per cent). There was KD10m committed to roelectric dam in Guinea, the Jordan potash project.

This represents about 8.2 per cent of the total cost and covers 11.3 per cent of the foreign exchange component. Among the cofinanciers are the World Bank, the Arab Fund for Economic Development, the Islamic Development Bank, the Arab League, the Arab League Special Fund, the Arab League Arab League Co-operation Fund, the Arab League Arab League Co-operation Fund, the Arab League Arab League Co-operation Fund.

The fund's reputation for neutrality and independence of government is to some extent belied by the political line that it has taken towards Egypt since 1978-79 disbursements were equal to 51 per cent of commitments which shows a reasonable record.

The Kuwait fund says that there are no immediate plans to raise capital but commitments will be sustained at between \$357m and \$400m a year.

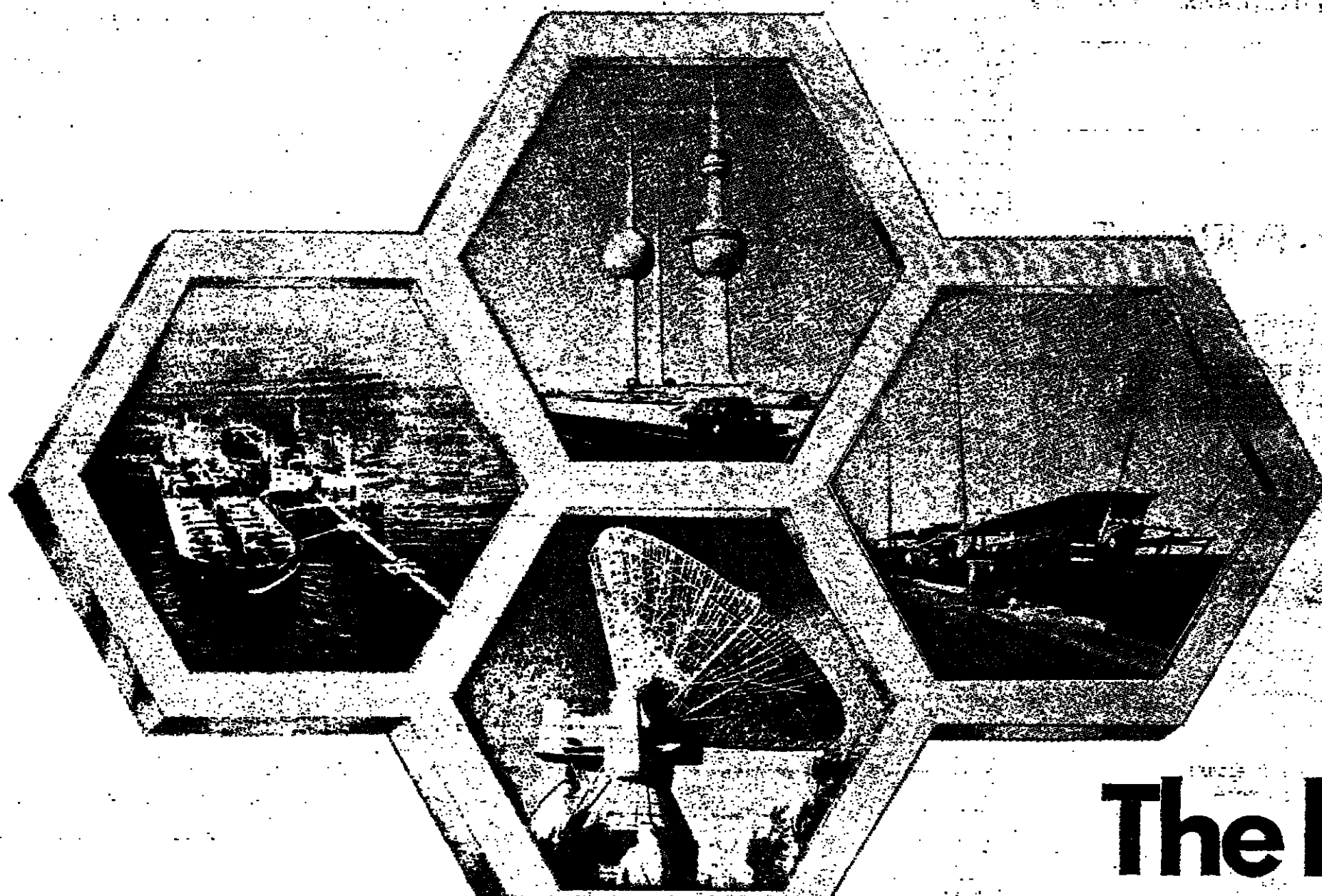
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As a proportion of its gross national product Kuwait is giving away in aid about 7.5 per cent. The figure is often challenged since the low population base of 1,300,000 tends to turn any statistic into a superlative.

However, since independence Kuwait has handed out about \$10,000m in aid. Most of it goes through the Ministry of Finance which does not produce full figures, leaving Kuwait's exact contribution to the Arab frontlines states confronting Israel something of a mystery.

If anything the signs are that Kuwait wants to do more through its funds. In Washington some eyebrows were raised when the Arab oil producers, including Kuwait, failed to exercise their options fully for a replenishment of the International Development Association, the soft loans affiliate of the World Bank.

J.W.



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Money Market Division Tel: 441008/9.  
Telex: 3327/3327 Kt.



# The key to your business in the Middle East

**The National Bank of Kuwait SAK**  
P.O. Box 95, Telex: National Kwt 2043, Telephone: 422011 (Head Office)

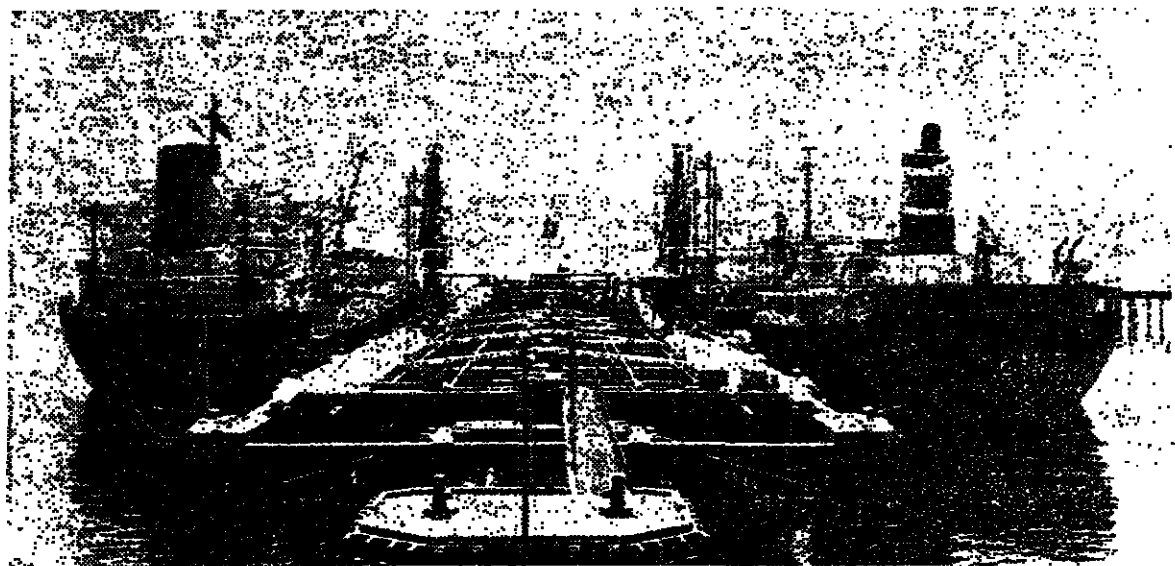


# KUWAIT PETROLEUM CORPORATION

## THE WORLD IS OUR MARKET

Throughout the year thousands of vessels leave Kuwaiti ports for destinations in at least three quarters of the world. Their cargoes consist not only of Crude Oil but also of Liquid Petroleum Gases and Refined Petroleum Products, the latter from Kuwait's Refineries whose flexibility has become an established entity in the world's oil markets. Clients vary immensely in all respects but now the supplier is one, the Kuwait Petroleum Corporation.

But KPC does far more than sell the output of one of the World's Major Oil Producing Countries. The development of the Oil Industry generally, and the need for a National Energy Sector, made it essential that one body assumed responsibility for this area of fundamental importance to the Kuwaiti economy and its populace.



For this very purpose KPC was created. KPC orchestrates the efforts of its integral companies, Kuwait Oil Company in Crude Oil exploration and Production, Kuwait National Petroleum Company in Refining, Kuwait Oil Tankers in Transportation, and the Petrochemical Industries Company. KPC thus safeguards Kuwait's interests whilst ensuring the continuation to customers of the well known stability and quality of supply of oil products in line with marketing conditions.

To further these objectives KPC maintains liaison offices in some of the world's key cities such as New York, London and Tokyo despite the fact that the city of Kuwait itself has increasingly become a prominent business centre which attracts industrialists and businessmen from all over the world.

### FACTS AND FIGURES

#### How to get there

Kuwait's international airport is about 10 miles from the city centre; it is linked to London by direct flights operated by British Airways, Kuwait Airlines, Pakistan International Airlines and Air India. Connecting flights to Bahrain and other parts of the Gulf and Middle East are available.

A good road connects Kuwait with Basra, Iraq; the journey can be made in about three hours. While there is no railway system in the country, it is possible to travel by train through Iraq to Basra then to reach Kuwait by road, steam launch, or sailing boat, although there are no scheduled services.

A number of shipping lines call regularly. Limited passenger accommodation exists on cargo ships operated by the P & O/Strick Line from Britain, but these services are irregular. Passenger liners operate between Kuwait, India and Pakistan.

#### Currency

The Kuwaiti dinar (KD) is divided into 1,000 fils. Notes are circulated in 1, 1/2, 5, and 10 dinar denominations, and coins in units of 1, 5, 10, 20, 50 and 100 fils.

#### Travel

No visa is required by holders of British passports who were either born in or are resident in the United Kingdom; nor is one needed by Arab nationals other than those from Sudan or South Yemen. A visitor's permit is, however, necessary; this is issued free by the embassy, or by the Ministry of the Interior's Passport Office, through a sponsor resident in Kuwait. In special circumstances the permit can be obtained from an immigration officer at the point of entry into Kuwait, but it is valid for only three days.

Entry visas are required by all others. These can be obtained from the embassy. Those who wish to work or live in the country need a 'no objection' certificate from the Ministry of the Interior and a sponsor, Kuwaiti employer or sponsor. A residence permit is subsequently issued on the basis of the certificate.

Documentation of any kind is best obtained before leaving for Kuwait, and the traveller is advised to check the latest regulations with embassy officials. Passports bearing evidence of past or planned visits to Israel are not acceptable.

#### Local travel

Good roads have been built throughout Kuwait. Air-conditioned coaches operate in the capital's suburbs, but most visitors find taxis more convenient: there are plenty of them, and they generally operate on a fixed fare basis within the city. If making a number of calls, try to hire a taxi by the hour or day and do not hesitate to give directions to the driver how to reach the required destination.

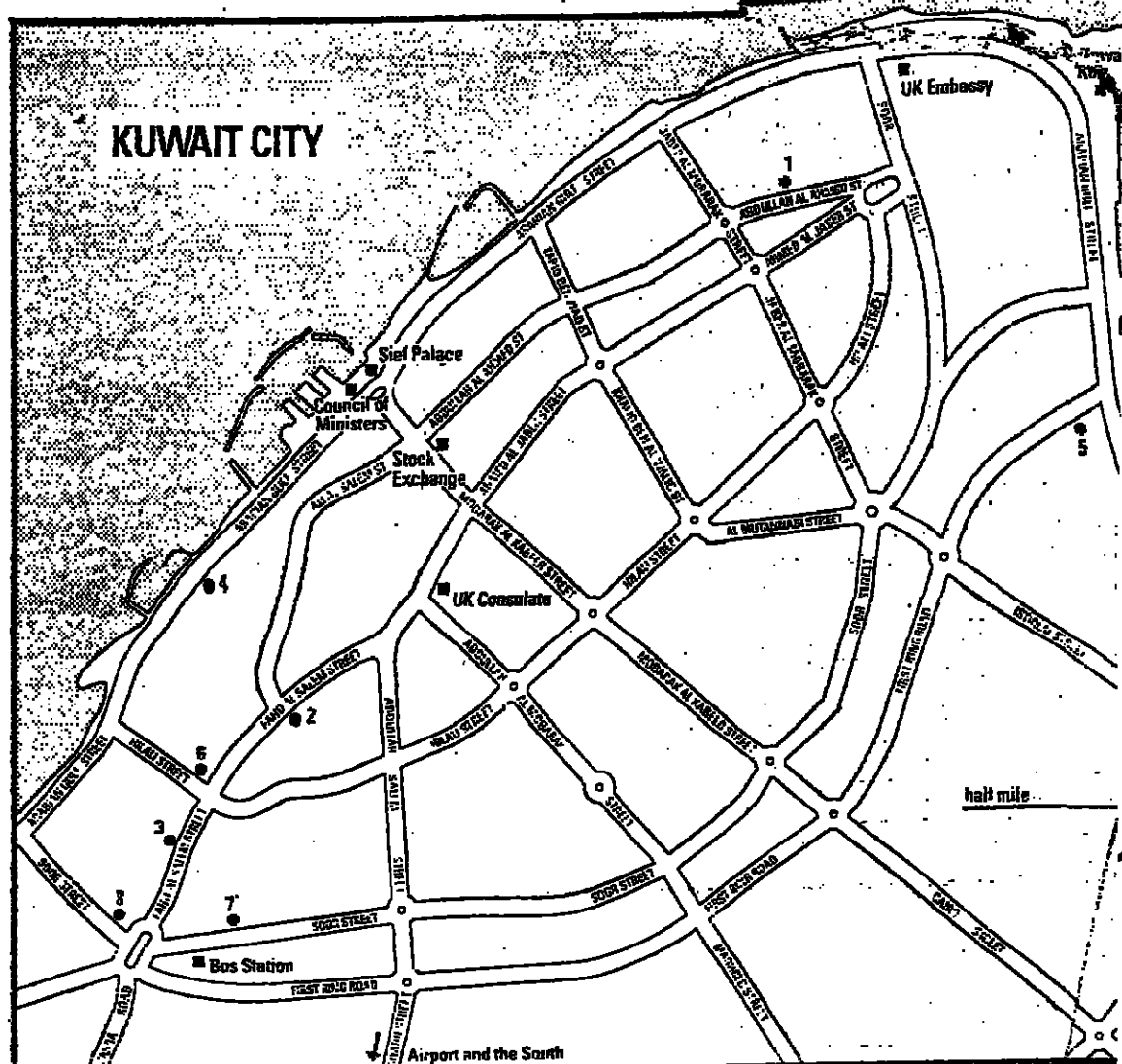
Self-drive cars are available, and a temporary driving licence, valid for a month, is usually granted within five days if an international licence is produced: neither the latter nor a British licence is acceptable in itself. Traffic travels on the right, and speed limits are 45 kilometres an hour in central Kuwait and 70 kph outside. There are no internal air services or railways, but flights to other parts of the world are operated from the international airport.

#### What to wear

British-type autumn or winter clothing is suitable from November to about mid-March, but for the rest of the year tropical-weight suits are necessary.

Cotton or silk dresses are best for women during the summer, and stockings are not necessary. During winter, suits or skirts with blouses or jumpers are advisable.

### For the traveller



#### Shopping

The shops open from 8 am until 8.30 pm from Saturday to Thursday, closing for lunch between 12.30 and 3.30 pm, on Friday they operate from 8 am until noon. The banks are open between 8 am and noon Saturday to Thursday.

#### Local customs and advice to visitors

Kuwait was the first of the Gulf countries to benefit from its huge oil reserves, and it is today the most technologically advanced state in the area. The high per capita income is reflected everywhere, yet many of its people maintain the traditional customs: the long, white dishdasha and white headscarf are still worn.

Coffee, tea or some other refreshment is usually served

to visitors, and it is considered polite to accept. Food and drink should be taken with the right hand, not the left. Cups will be refilled every time they are emptied, unless the guest shakes the vessel slightly before returning it.

Evening meals are often served quite late in Kuwaiti homes, because visitors generally leave immediately after the coffee or tea has been drunk and there is no wish on the part of the host to see his guests leave too early. It is impolite to show the soles of the feet.

Although Kuwaiti husbands still tend not to take their wives to social functions, the practice is rapidly dying; women are also coming to be accepted in the Civil Service and in business generally.

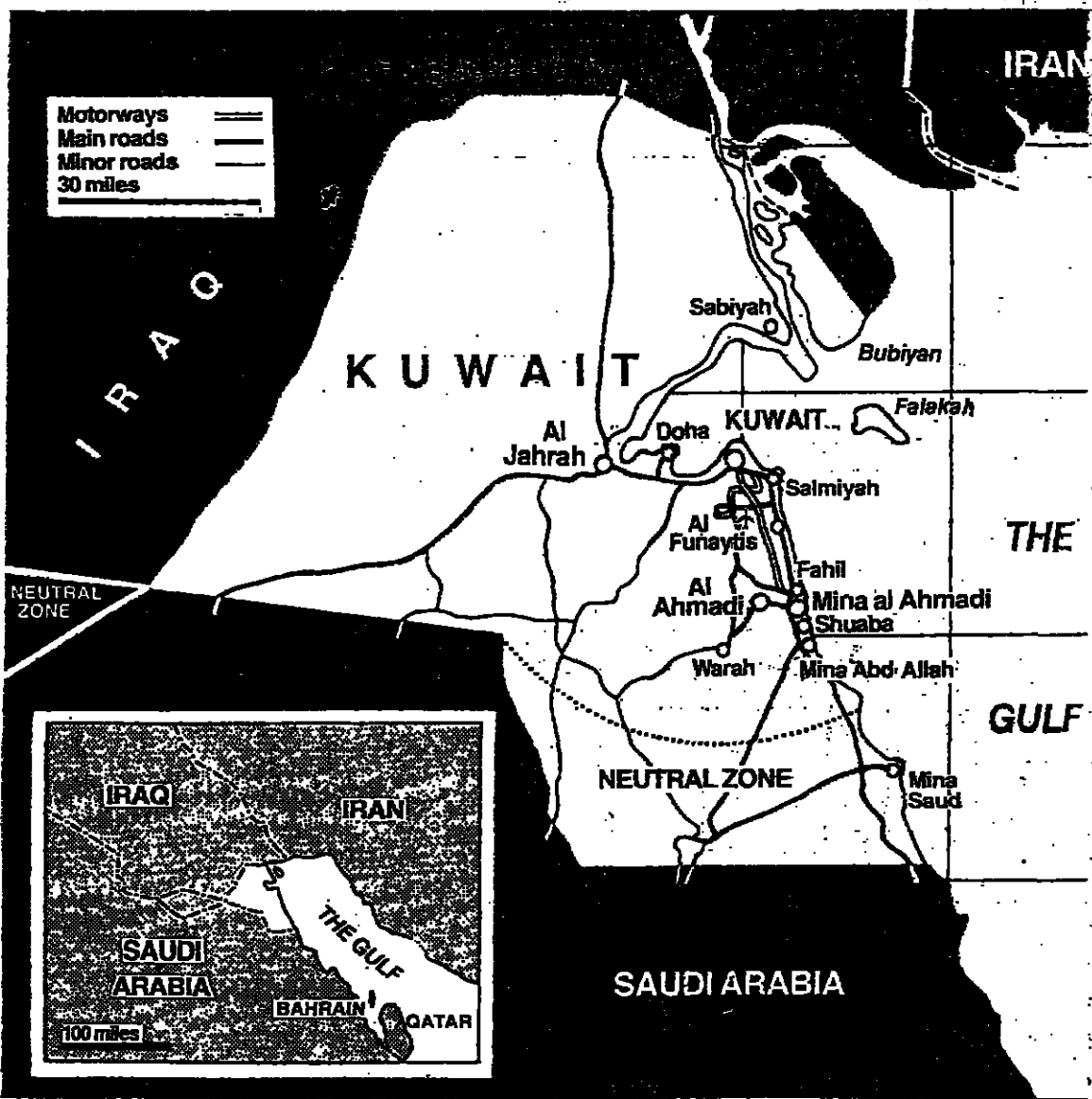
As is common elsewhere in the area, alcohol is offi-

#### Hotels (see map)

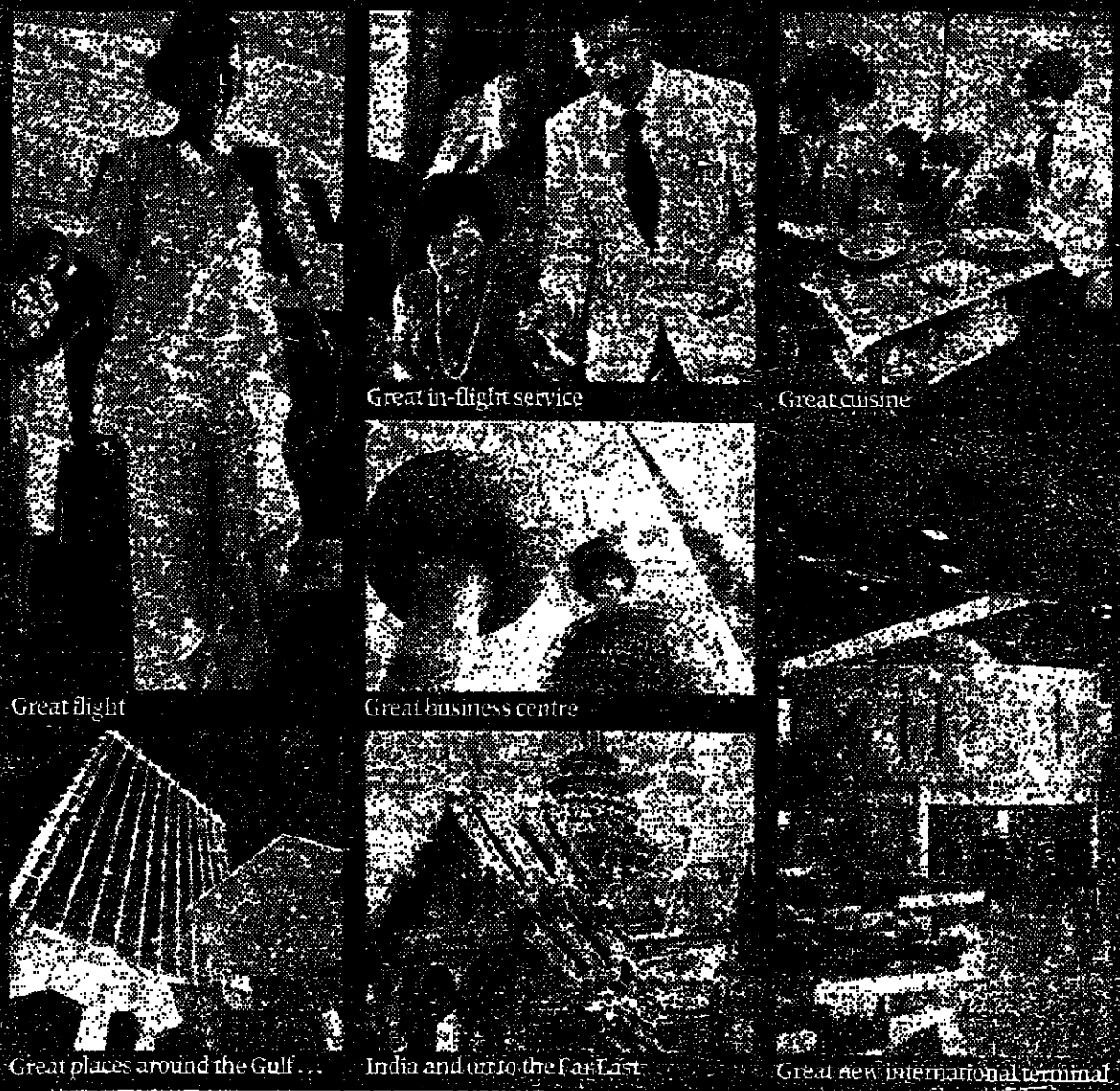
Kuwait City	Telephone
(1) Ambassador	473288/9
(2) Bristol	49281/4
(3) Carlton	423171
(4) Golden Beach	39521/2
(5) Hilton	613486
(6) Messilah Beach Hotel	421051
(7) Phoenix	
(8) Sheraton	422035

Two miles from centre, but operates free bus service twice daily from Kuwait City.

Most hotels are available to members of the diplomatic corps. Infringe-ments of the law leads to heavy penalties. Customs officers will confiscate any liquor they find in visitors' baggage; tobacco for personal consumption, personal effects and trade samples are admitted free of duty, and there is no limit to the amount of currency imported or exported.



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### General

#### Country

Kuwait stands at the north-western head of The Gulf, occupying nearly 10,000 square miles of the Arabian peninsula and including within its domain more than 600 square miles of islands. Among the latter are Failaka, some 20 miles east of Kuwait Bay, Bubiyan and seven others. The country's mainland borders are with Iraq and Saudi Arabia.

Most of Kuwait is flat, desert land, relieved only by a few shallow depressions and some rocky hills, none of which rises for more than 1,000 ft above sea level. While there are no rivers or streams, the country has several oases, the biggest of which, Al Jahra, is situated nearly 20 miles west of Kuwait City. The coastline extends for about 140 miles, much of it forming the bay on which the capital stands.

Nearly 400 different kinds of desert flowers have been recorded, and these brighten the landscape during the brief spring. Birds and insects have been returning to the country, as prosperity has led to the cultivation of gardens along the coastal

#### History

For centuries the area now known as Kuwait was inhabited by nomadic tribesmen. Early in the seventeenth century the Portuguese built a fort on the site of today's Kuwait City, and the area was also visited by Danish and English seamen. The ancestors of the present people of Kuwait are thought to have settled in the area at the beginning of the eighteenth century, possibly adopting the name Kuwait from the Arabic root, meaning a small fortress.

Among the new arrivals were members of the Khalifa family, who later became the ruling influence in Bahrain, and the Al-Sabah, from whom was appointed the first Emir, Al-Sabah I, in 1756. Kuwait's prosperity was marred by the activities of Gulf pirates, Turkish raiders from the north, and wandering tribesmen from the hinterland, but these disruptions eventually died away and for much of the nineteenth

century the Kuwaitis spent their time consolidating the country's position as a key trading centre.

Sheikh Mohammad took over the leadership in 1893, but failed to maintain the peace; he was subsequently murdered by his half brother, Mubarak. The new leader cut the country's links with the Turks and, in 1897, asked the British for protection. At first the approach was met with indifference, but when Germany began increasing its activities in the Middle East, Britain began to warm to the idea. A treaty was signed on January 23, 1899, and five years later a political agent, Colonel G. S. Knox, was sent to the country.

Kuwait's present borders were defined in 1922, and a neutral zone was set up with Saudi Arabia. About 10 years later the foundations of the country's present prosperity were laid when British Petroleum and Gulf Oil of the United States were granted, through the Kuwait Oil Company, an oil concession. Exploitation of the first oil, discovered in 1938, was delayed by the outbreak of the

continued on facing page

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inued from facing page  
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the country's character  
changing rapidly under  
the new

Climate  
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and humidity is high.

More comfortable con-  
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rest of the year, although  
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The Muslim weekend is  
celebrated on Fridays, al-  
though some establishments  
are closed on Thursday after-  
noons; Saturdays and Sun-  
days are normal working  
days. Holidays marked with  
an asterisk depend upon  
moon sightings and may con-  
sequently differ by a day or  
two from the dates given.  
Businessmen are advised to  
keep away during the month  
preceding Eid al Fitr, which  
is the fasting month of  
Ramadan and a time of low  
activity among the people.

Health regulations  
No smallpox certificate is re-  
quired; cholera and yellow  
fever certificates are neces-  
sary only if visitors are ar-  
riving from infected areas.

Electricity  
Most plug fittings are of the  
three-pin type, but in the  
older properties three-pin  
round or two-pin continental  
type fittings are still used.  
Bayeron lamp sockets are  
most popular, but screw  
types are also used.  
The electricity supply is 240V at  
50 cycles single phase.

Embassies  
Kuwait Embassy, 45/6  
Queen's Gate, London, SW7.  
Telephone 01-589 4533.  
Ambassador: Shaikh Saud  
Nasir al Sabah.  
First Secretary: Abdullah  
Ahmed Abdul-Rahman al  
Majed.  
Second Secretary: Hamad M.  
al Majed.  
British Embassy, Chancery  
Lane, London, W1A 3AX.  
Ambassador: Sir John  
Gill. Information Section,  
Arabian Gulf Street, PO Box  
3421, Kuwait. Telephone  
432047/9. The Commercial  
and Consular Offices' address

is PO Box Safat 300, Kuwait.  
Telephone 439220/2, or  
433046.  
Drinking water is safe, but  
bottled mineral water and  
soft drinks are available for  
those who require them. An  
efficient health service, using  
Arab and European  
specialists, is run by the  
state and is free to both  
nationals and visitors. Pri-  
vate doctors and dentists can  
be consulted.

Main cities  
The capital is Kuwait City,  
overlooking the Bay of  
Kuwait and dominated by  
Kuwait Towers—a water  
tower and a theatre, to-  
gether with a revolving res-  
taurant, opened in 1977.  
Although some old buildings,  
such as the Al-Sief Palace,  
remain, the city's modern,  
tall buildings give it a dis-  
tinctly American air. The  
central commercial area is  
close to the Al-Sief and  
Dhow harbours and includes  
a number of skys. A green  
belt has been established  
around the main area. It is  
thought that about 700,000  
people live in the capital and  
its suburbs.

To the south are Al-  
Ahmadi, the original oil  
town, and Al-Fahahil, both  
of which are developing  
rapidly. This is true also of  
Sulaybiyah and Jahra, to the  
west. Sites for new cities  
with populations of 500,000  
and 700,000 respectively,  
have been chosen at Subiya,  
across the bay from Kuwait  
City, and at Fintas, near  
Fahahil.

Industry and politics

The economy  
Kuwait's income depends  
almost entirely on the level  
of its oil production. Ex-  
ports in 1979 were worth  
more than 4,500m dinars  
(£1,500m), accounting for  
more than 85 per cent of  
government revenue. Gov-  
ernment revenue, 93 per  
cent of total income, and  
about two-thirds of gross  
domestic product. About 17  
refined oil exports its main  
source of income; the re-  
maining crude oil, per-  
centage income is probably the  
highest in the world.

The world's sixth largest  
producer of oil, Kuwait has  
amassed vast reserves of

Oil industry  
Kuwait's oil reserves are  
estimated at 70,000 million  
barrels—among the richest  
in the world—sufficient for  
about 100 years' production  
at the present rate of output.  
Production last year  
totalled 126 million tonnes,  
almost one fifth higher than  
in 1978, reflecting worldwide  
demands arising from the  
sharp downturn in supplies  
from Iran.

The Ministry of Oil is  
responsible for overall policy  
matters, including the use  
and development of petro-  
leum to guarantee growth of  
the state's resources and to  
increase national income. It  
proposes policies to the  
Government's Supreme Oil  
Council and supervises imple-  
mentation of the council's  
decisions and all activities of  
companies within the oil sec-  
tor. The ministry—which is  
divided into two main sec-  
tions, technical and economic  
affairs—is responsible for  
Kuwait's involvement in the  
Organization of Petroleum  
Exporting Countries (Opec)  
and the Organization of Arab  
Petroleum Exporting Coun-  
tries (Oapex). The ministry's  
brief was widened recently to  
incorporate research and  
supervision of the exploration  
of all Kuwait's natural  
resources, including non-  
petroleum resources.

The Government controls  
which 668,000 tonnes of urea  
were derived.

Other products being made  
by various companies include  
cement, metal pipes, ashes,  
mosaic, vehicle batteries and pre-  
fabricated buildings.

Agriculture  
Scarcity of water, hot sum-  
mer weather and infertile  
soil place severe limitations  
on agricultural development.  
About 5 per cent of the  
country is arable and only  
1 per cent is cultivated.  
Efforts are being made to  
increase vegetable growing  
and clover for animal feed.  
Most of the state's foodstuffs  
are imported.

Population  
The size of population rose  
steadily throughout the 1970s  
at an average annual rate  
of 6.1 per cent, to reach  
1,270,000 by mid-1979. About  
half the population are  
Kuwaitis, the remainder  
being mostly from other  
Arab states, and a minority  
of Iranians, Indians and  
Pakistans.

Petrochemicals and  
other industries  
The absence of natural raw  
materials, other than oil, and  
lack of skilled labour limits  
industrial development other  
than downstream activities  
related to oil. Refineries  
need electricity and water in  
order to function. This calls  
for desalination plants, which  
in turn have chemical by-  
products such as sodium  
chloride and chlorine to add  
to the sulphur, ammonia,  
chloride and other petro-  
chemical derivatives.

The main area of the  
petrochemical industries runs  
along the 10km of coastline,  
from the KOC's complex at  
Mina Al Ahmadi through the  
Shuaiba industrial area to  
the Mina Abd Allah refinery.

PIC concentrates on fer-  
tilizer production. Liquid  
ammonia, ammonium sul-  
phate and concentrated  
sulphuric acid are produced,  
and more recently, urea. In  
1978, PIC produced 373,000  
tonnes of ammonia, from

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sary only if visitors are ar-  
riving from infected areas.

Electricity  
Most plug fittings are of the  
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Bayeron lamp sockets are  
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types are also used.  
The electricity supply is 240V at  
50 cycles single phase.

Embassies  
Kuwait Embassy, 45/6  
Queen's Gate, London, SW7.  
Telephone 01-589 4533.  
Ambassador: Shaikh Saud  
Nasir al Sabah.  
First Secretary: Abdullah  
Ahmed Abdul-Rahman al  
Majed.  
Second Secretary: Hamad M.  
al Majed.  
British Embassy, Chancery  
Lane, London, W1A 3AX.  
Ambassador: Sir John  
Gill. Information Section,  
Arabian Gulf Street, PO Box  
3421, Kuwait. Telephone  
432047/9. The Commercial  
and Consular Offices' address

is PO Box Safat 300, Kuwait.  
Telephone 439220/2, or  
433046.  
Drinking water is safe, but  
bottled mineral water and  
soft drinks are available for  
those who require them. An  
efficient health service, using  
Arab and European  
specialists, is run by the  
state and is free to both  
nationals and visitors. Pri-  
vate doctors and dentists can  
be consulted.

Main cities  
The capital is Kuwait City,  
overlooking the Bay of  
Kuwait and dominated by  
Kuwait Towers—a water  
tower and a theatre, to-  
gether with a revolving res-  
taurant, opened in 1977.  
Although some old buildings,  
such as the Al-Sief Palace,  
remain, the city's modern,  
tall buildings give it a dis-  
tinctly American air. The  
central commercial area is  
close to the Al-Sief and  
Dhow harbours and includes  
a number of skys. A green  
belt has been established  
around the main area. It is  
thought that about 700,000  
people live in the capital and  
its suburbs.

To the south are Al-  
Ahmadi, the original oil  
town, and Al-Fahahil, both  
of which are developing  
rapidly. This is true also of  
Sulaybiyah and Jahra, to the  
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with populations of 500,000  
and 700,000 respectively,  
have been chosen at Subiya,  
across the bay from Kuwait  
City, and at Fintas, near  
Fahahil.

Industry and politics

The economy  
Kuwait's income depends  
almost entirely on the level  
of its oil production. Ex-  
ports in 1979 were worth  
more than 4,500m dinars  
(£1,500m), accounting for  
more than 85 per cent of  
government revenue. Gov-  
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cent of total income, and  
about two-thirds of gross  
domestic product. About 17  
refined oil exports its main  
source of income; the re-  
maining crude oil, per-  
centage income is probably the  
highest in the world.

The world's sixth largest  
producer of oil, Kuwait has  
amassed vast reserves of

Oil industry  
Kuwait's oil reserves are  
estimated at 70,000 million  
barrels—among the richest  
in the world—sufficient for  
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The Government controls  
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were derived.

Other products being made  
by various companies include  
cement, metal pipes, ashes,  
mosaic, vehicle batteries and pre-  
fabricated buildings.

Agriculture  
Scarcity of water, hot sum-  
mer weather and infertile  
soil place severe limitations  
on agricultural development.  
About 5 per cent of the  
country is arable and only  
1 per cent is cultivated.  
Efforts are being made to  
increase vegetable growing  
and clover for animal feed.  
Most of the state's foodstuffs  
are imported.

Population  
The size of population rose  
steadily throughout the 1970s  
at an average annual rate  
of 6.1 per cent, to reach  
1,270,000 by mid-1979. About  
half the population are  
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Arab states, and a minority  
of Iranians, Indians and  
Pakistans.

Petrochemicals and  
other industries  
The absence of natural raw  
materials, other than oil, and  
lack of skilled labour limits  
industrial development other  
than downstream activities  
related to oil. Refineries  
need electricity and water in  
order to function. This calls  
for desalination plants, which  
in turn have chemical by-  
products such as sodium  
chloride and chlorine to add  
to the sulphur, ammonia,  
chloride and other petro-  
chemical derivatives.

The main area of the  
petrochemical industries runs  
along the 10km of coastline,  
from the KOC's complex at  
Mina Al Ahmadi through the  
Shuaiba industrial area to  
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PIC concentrates on fer-  
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inued from facing page  
nd World War, but by  
the country's character  
changing rapidly under  
the new

Climate  
Kuwait's climate is variable.  
From May to October  
temperatures rise steeply,  
with an average maximum  
in the shade of 38°C  
(100°F). During July and  
August the shade tempera-  
ture climbs to 50°C (122°F)  
and humidity is high.

More comfortable con-  
ditions obtain during the  
rest of the year, although  
from November to January  
cold winds are not infre-  
quent. At the beginning of  
the year the maximum daily  
shade temperature varies be-  
tween 7°C and 20°C (45°F  
to 68°F), with night tempera-  
tures very low. About 6.5 in  
of rain fall each year, mainly  
in the first quarter. The  
shamal blowing from the  
north can cause severe  
sandstorms, but these occur  
only occasionally.

Hours of business  
In winter most offices open  
from Saturday to Wednesday  
between 7.30 am and 1.30  
pm, and between 2.30 and  
6 pm; they close on Thurs-  
days at 12.30 pm. Govern-  
ment offices close at 1.30 pm  
during the week and at 11.30  
am on Thursdays. During  
the summer, offices open be-  
tween 7 am and 1 pm and

someone on their staff who  
can assist them; failing this  
the services of translators  
can be hired.

Public holidays  
Leilat al Miraj  
(Ascension of the  
Prophet)\* June 11  
Eid al Fitr\* August 11-13  
Eid al Adha\* October 18-21  
Hijra (Muslim  
New Year)\* November 9

New Year's  
Day January 1  
Birthdays of the  
Prophet\* January 18  
Kuwait National  
Day February 25

The Muslim weekend is  
celebrated on Fridays, al-  
though some establishments  
are closed on Thursday after-  
noons; Saturdays and Sun-  
days are normal working  
days. Holidays marked with  
an asterisk depend upon  
moon sightings and may con-  
sequently differ by a day or  
two from the dates given.  
Businessmen are advised to  
keep away during the month  
preceding Eid al Fitr, which  
is the fasting month of  
Ramadan and a time of low  
activity among the people.

Health regulations  
No smallpox certificate is re-  
quired; cholera and yellow  
fever certificates are neces-  
sary only if visitors are ar-  
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Petrochemicals





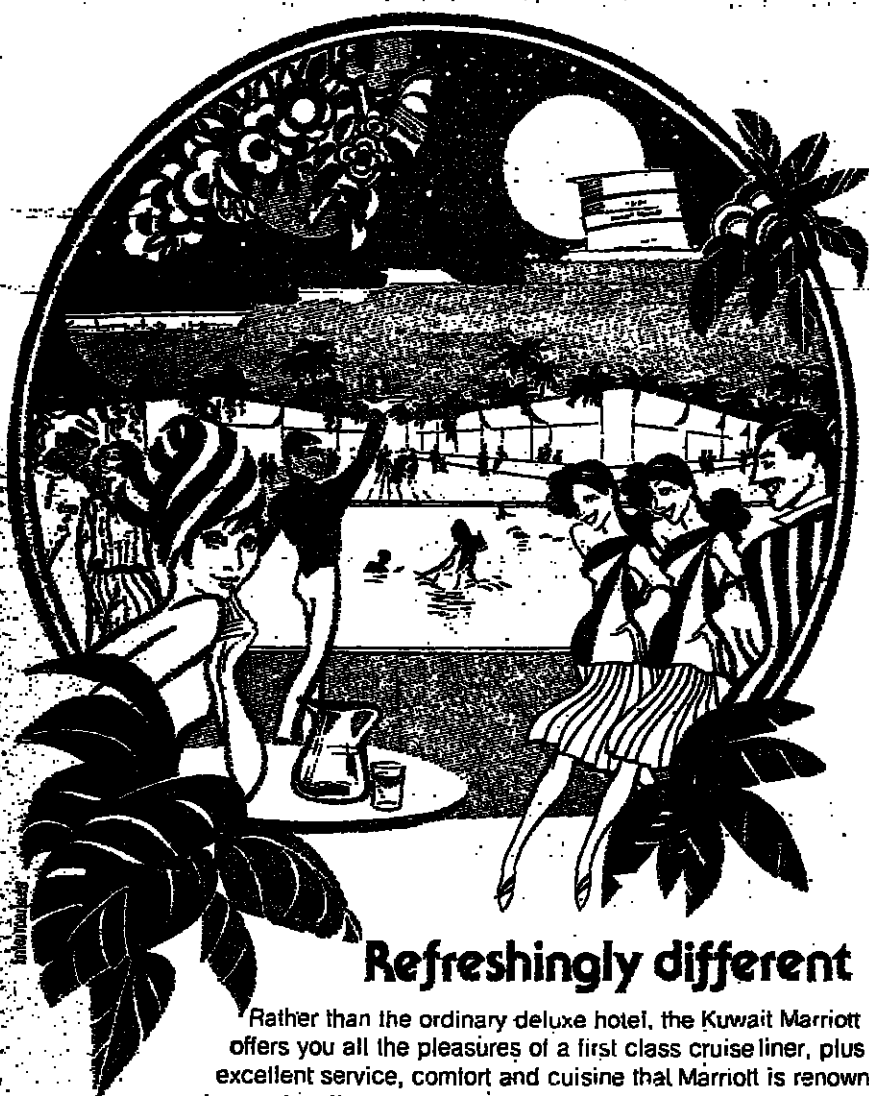
Kuwait International Finance Company, better known as KIFCO, has become an important name on the international financial scene.

Kifco is active in project financing, syndication of multicurrency loans, managing and underwriting Eurobond issues, Eurocurrency lending, portfolio management and foreign exchange.

During the last five year period, it has lead managed six international issues, co-managed four, acted as agent for five syndicated loans and participated as underwriter/selling group member in over 350 issues. In addition, it is now a market-maker for Kuwaiti dinar denominated Eurobonds. Kifco continues to contribute significantly to the growth of the Middle East capital market.



KUWAIT INTERNATIONAL FINANCE CO. S.A.K.  
P.O. Box No. 23792 Safat - KUWAIT. Tel: 448050/6 Telex 2569 (A/B) Currency



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Rather than the ordinary deluxe hotel, the Kuwait Marriott offers you all the pleasures of a first class cruise liner, plus the excellent service, comfort and cuisine that Marriott is renowned for internationally. Permanently berthed near the center of Kuwait, with 190 staterooms, 30 garden chalets, swimming pool, tennis courts, health club and saunas, shopping arcade, plus superb onboard restaurants, night club and quiet lounges. And all the 24 hour services you expect from a fine Marriott hotel.

When Marriott does it, they do it right.

فندق مارriott  
Kuwait Marriott Hotel & Resort

For reservations Tel: 835344 - P.O. Box 24285 Safat, Kuwait - Telex: 3586 KT Marriot.

### The simplest things can be the most difficult to achieve.

Imagine this situation. You have just won a contract to build in Kuwait. Before this spade goes into the ground you should have completed a complex and detailed round of information gathering and financial arrangements. Letters of credit, guarantees, overseas transfers... The whole process is difficult and it takes experience and expertise to ensure that there are no problems. Before you start on any contract in Kuwait consult the experts. It could save a lot of time, a lot of headaches and a lot of your money. Kuwait Real Estate Bank K.S.C. P.O. Box 22822 Tel: 2327 AKARIBANK Tel: 410110 (9lines)



Kuwait Real Estate Bank K.S.C.

## KUWAIT

### Opportunities for investment

"There are still good opportunities for investment inside the country", Mr. Bader Sultan, chairman of Sultan Ben Essa Co. says. Like many Kuwaiti family-based enterprises, the Sultan group extends its activities to a number of items managed by seven brothers. The company deals with investments, insurance, travel, construction, industrial projects, general trade and so on.

Mr. Bader Sultan says he is personally taking care of the investment division and considers himself a conservative in this field. Although the company is of considerable size, he has not expanded internationally: most investments are placed in the Kuwaiti market. "The main part of our investment now goes to real estate", he added.

"At the moment, there are few large projects for industrialization", Mr. Sultan said, "and I do not think there will be. Kuwait is still a small market with capacity for only light industries and those chiefly in the consumable goods field."

Regarding imports, he says foodstuffs as the main commodity followed by building materials, although here the demand has been decreasing because of a slowdown in construction. Another factor, in his opinion, is that most of the government projects are taken by South Korean companies which bring the materials from their country.

Speaking about the great influence of the Korean construction companies, Mr. Sultan says that during the past five years they have been eliminating most of their competitors through very low prices—usually 25 per cent less than the nearest competitor. The key to their success, he says, is that they are strongly subsidized by their government.

Cheap labour is brought from Korea and accommodated in temporary camps, which are dismantled and taken away to a new location once the project is finished.

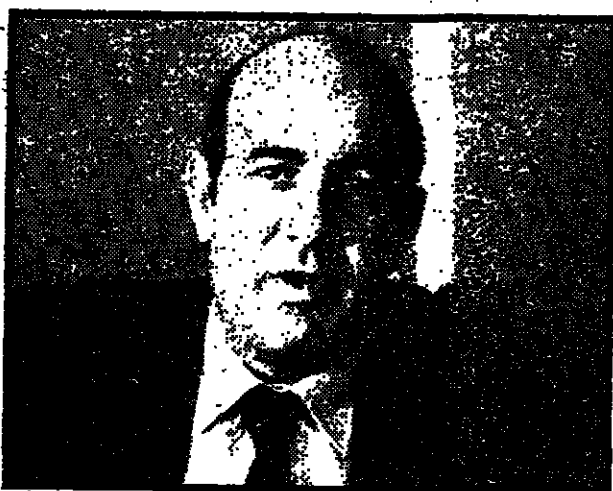


Two years ago, he says, the imports of electronics were almost equal to foodstuffs, but now the market has become saturated in these items. "It is luck that we have the possibility of going to other markets with items that are saturated here. Otherwise we would have to stockpile for years in some items."

The volume of reexports to Saudi Arabia and Iraq is less than before. "There was a very strong reexport to Saudi Arabia when they had congestion in their ports; now they have solved the problems and their demand for goods from here declined. But sometimes they run short of certain materials, or they need them urgently. They cannot afford the time-wasting of the shipments and come to Kuwait where they find the goods ready and at reasonable prices—sometimes lower than in Europe."

"Now our problem of port congestion is solved. We have got very good facilities and the waiting time is minimized. Most of the time, there are no delays; when they do occur it is not for more than five days to one week."

### Inflation comes from outside



"The liquidity crisis is over now", Mr. Ibrahim Shukri Dabdoub, deputy chief general manager of the National Bank of Kuwait, says.

The National Bank is the oldest in Kuwait and one of the largest in the Arab world. Mr. Dabdoub says that the Central Bank decision to increase the interest rate from 7 per cent to 10 per cent had its first test during 1979 and the beginning of 1980 when the interest rates on the Eurodollar went up to 20 per cent. This generated a move towards high interest currencies: from marks, Swiss francs, yen in dollars.

"Having a free economy without any exchange control, we also experienced a move from Kuwaiti dinars to dollars. In order to restrain the dinars from flowing out we had to increase the interest rate in such a way as to compete with the dollar, taking into consideration the exchange risks. That really made a difference in the fight against the liquidity crisis."

"The Central Bank handled the situation in a very professional and efficient way. The monetary authorities kept injecting money into the economy in order to reverse the trends that were affecting our liquidity system. Other steps were taken by the Central

Bank in cooperation with the local banks, moving from the demand overdraft system into the term lending by which lending can be directed towards the actual requirement of the system."

Talking about inflation in Kuwait, Mr. Dabdoub said that it is, in part, brought from outside by imports. He added that the growth of money supply in Kuwait is about 25 per cent, which is above the international standards. As a result the economy is more or less overheated. These factors also generate some inflation. But the government measures (like the subsidies of many basic commodities) is making quite an impact on inflation which is fairly well controlled now. I am sure it is less than the two-digits figure found in some developed countries."

Asked about the apparent saturation in certain economic activities in Kuwait, Mr. Dabdoub said: "I'd call it normalization rather than saturation. Our growth now is normal. The emphasis is on quality rather than quantity." He said that the proportion of the assets taken by domestic lending is very high and that the rest is invested outside without preference for any country.

Regarding the competence of Bahrain as an offshore banking centre Mr. Dabdoub said that no official measures were taken and that the challenge was left to the local banks to develop their own capabilities. Since 1975 the Kuwaiti commercial banks have been able to compete very efficiently in the international and domestic fields with the banks of Bahrain. "I think that it was a healthy competition that brought more sophistication to our market."

Gustavo Ferrari talks to four men and gives their views on a country which is unofficial adviser to the Gulf states

### 'In search of peace'

Ambassador Abdulla Zakaria al-Ansari is director of the Press and Culture Department in the Ministry of Foreign Affairs. But he is also a writer. The author of nine books, he is an outspoken personality well-known in the Kuwaiti community. Since 1972 he has been publishing one book each year from analysis of and comment on Kuwaiti poets to politics and communications. Titles like *Politicians and politics: the unity lost between them*, *Spirit of the pen, The thinkers in dialogue*, or *In search of peace* show the range of his interests.

"There are no changes in the Gulf area", he says, adding that the internal revolution in Iran did not bring any consequences for the other countries of the area. Another American intervention, like the frustrated commando operation, would be the real source of danger, he says.

Mr. al-Ansari thinks that with the overthrow of the Shah's regime, the United States lost one of its strongholds in the area, but this does not mean there is a power vacuum.

As an ideal solution for the security and stability of the region, Mr. al-Ansari proposes that there should be a meeting between all the countries concerned and the Gulf countries to work out conditions for a non-intervention treaty. In that way, he believes, the oil would be for all the countries and not only for the United States, or whoever has the power to take it by force.

He sees strong unity as the only means of guaranteeing the security of the Gulf countries, but thinks that this is unlikely to happen because of the interference of the big international interests. Describing international politics, he says that the ruling principle is the law of the strongest.

Asked about the use of oil as a weapon, he says: "If somebody puts a knife to my throat to kill me, what can I do? Is it not my right to do anything I can? If I die, I have nothing else



to lose. I would do whatever I can to save my life."

Regarding Afghanistan, Mr. al-Ansari says that the Soviet intervention came as an answer to the previous intervention the United States was making through its agents there. In his opinion, Russia moved in at the request of the Kabul Government as executor of an existing treaty between them. He made it clear that he was explaining rather than justifying the Soviet action, of which he disapproved. "We condemn the Soviet military intervention, as we also condemn the contradictory attitude of the United States, which weeps over Afghanistan, but helps Israel in taking the Arab land, in invading Lebanon and so on."

Mr. al-Ansari added that the United States was making a big fuss over the Soviet invasion because the Americans wanted an excuse to intervene in Iran by striking both Iran and Islam.

### Time is short

"Our time here is short", Mr. Christopher Parsons, general manager of one of the biggest trading companies in Kuwait said. "I think that in the near future foreign management will be replaced by Kuwaitis." This expatriate is one of the 25 British management staff among a total of 1,000 employees his company has in the country. He feels the young Kuwaitis who return with their diplomas will take over most of the executive positions.

"It is becoming difficult to acquire expert management from the UK mainly because the difference in salaries is not that great any more. Wages have improved in Britain as have the tax regulations."

Mr. Parsons, who first came to Kuwait in 1975, said that despite the instability lately experienced in the region he feels more personal security than he would in the United Kingdom.

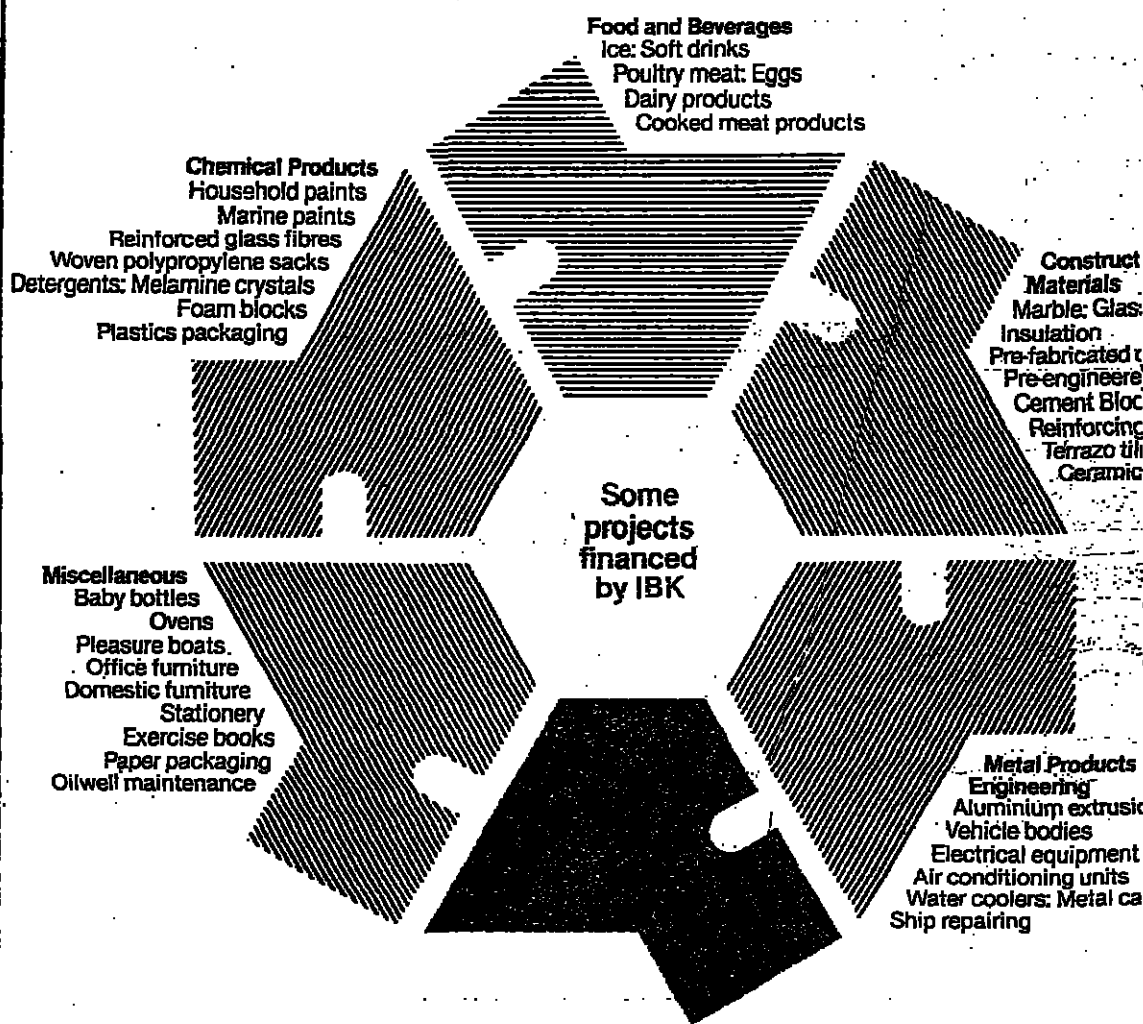
"The problems in the Gulf have brought a slowdown in business, but this is neither the main nor the only cause. Business in Kuwait was almost ridiculously good. Local companies are too large and reexport to neighbouring countries, added an extra dimension to this, a greater degree than the market could absorb. Careful planning has now been better growth in a few years ago, there has been a slowdown, this is a good place."

When asked about the oil runs out, he thinks full industrialization will not be achieved.

He said: "I do not think the Kuwaitis want that. They have been traders for hundreds of years and it seems to me that they will continue along the same or similar lines. Nevertheless, the country is approaching industrialization in a more



realistic way in the countries in the Gulf. I think it is a well thought out and less abrupt position here. I am happy with the way the Kuwaitis are handling the situation. In the future, there is a great deal of work to be done. I would like to see the Kuwaitis take over the management of their companies. His main reason for coming to Kuwait is the high salary. He found it a bit of a shock to see such a country living in a desert, with no water, and yet having a high standard of living. He has a family of four and they are all happy here. Before I came, I was just people who were just people. Now I understand their grievances, and their motivation."



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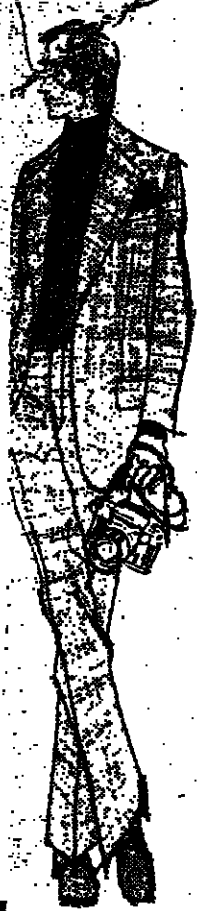
مركز الأفكار



## Containers and new berths end port congestion

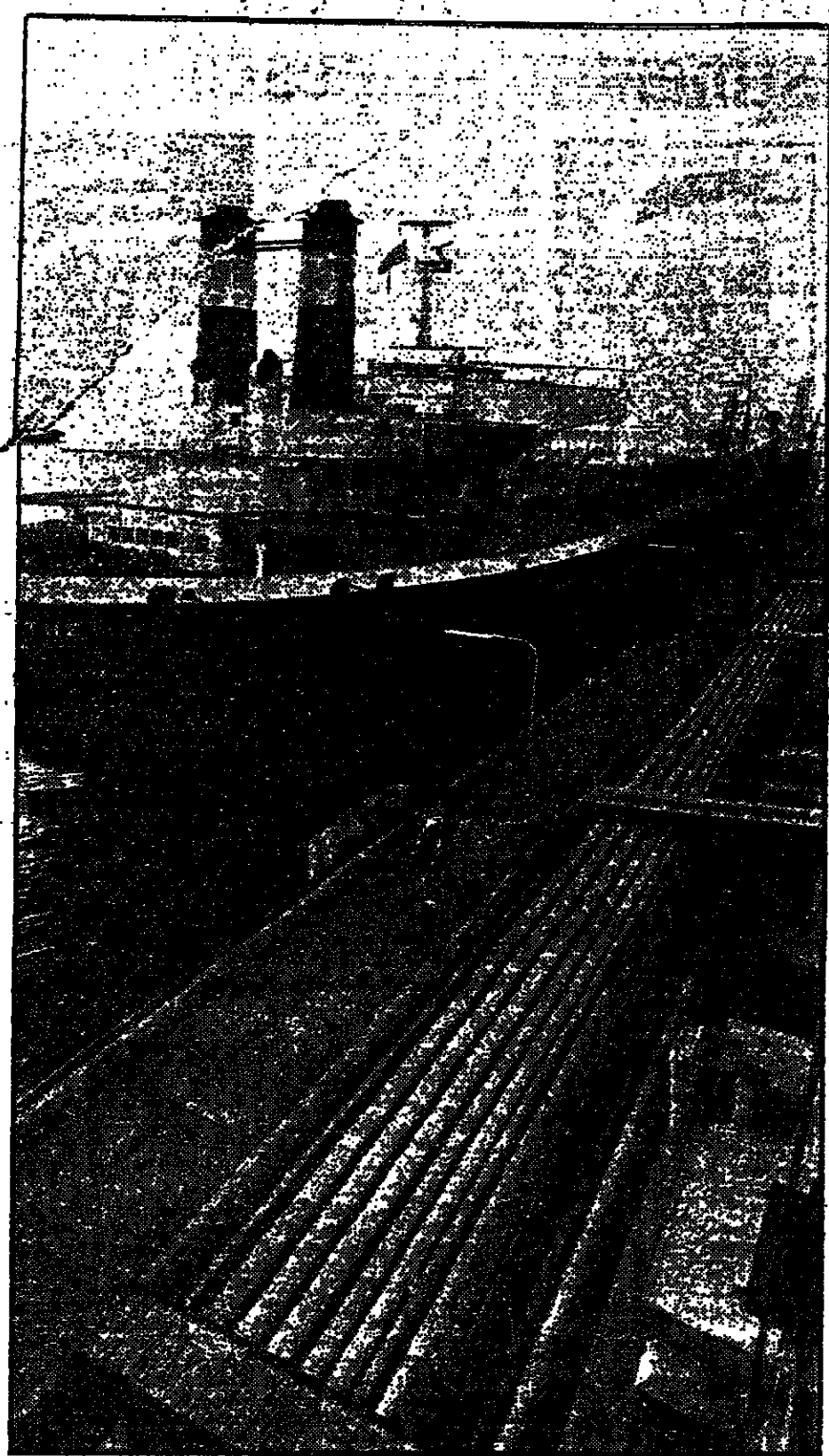
Dr Ibrahim Makki, Director of Maritime Law at Kuwait University, predicted that container ships will soon become the main form of seaborne transport in the Gulf region. He said that most of the world's container ships are based in the Gulf, and that the ports of the Gulf are the main ports of the world.

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Loading oil on to a tanker in Kuwait.

Containers were first introduced to the Gulf in large numbers in 1976. They quickly increased efficiency, and the port authorities soon began to encourage the use of container vessels by offering them berth priority. Now, the trade from the Far East into the Gulf is almost totally by container, and local shipping men expect that the same will apply to the routes from America and Europe by the end of this year.

Apart from this natural expansion, there is little doubt that many ports have been expanded at least partly for prestige or because of inter-state rivalry. A survey carried out for shipping agents Gray Mackenzie has indicated that new berth construction will, by 1982, more than double the number in use only two years ago.

On the basis of construction already in hand the total of deep water Gulf berths can be expected to increase to 407 by 1982, compared with 191 in 1978. By far the biggest port expansion is in the United Arab Emirates, where new construction will provide 146 berths by 1982, an increase of 100.

Saudi Arabia, Bahrain, Oman, Iraq and Iran also have port extensions planned and in progress, but on a comparatively modest scale. Kuwait, however, with characteristic modesty, has not so far added to its existing 18 berths at Shuwaikh, its main port, but there are plans to add nine berths by 1985.

Among the conclusions in the Gray Mackenzie study, which was prepared by management consultants Peat Marwick Mitchell, it is suggested that all countries, except Kuwait and Bahrain, will show an increasing surplus of commercial berths up to 1982, and in some cases the surplus will be enormous. In the UAE, for example, about 70 per cent of all berths, whether for container or conventional traffic, will not be required in 1982.

In view of this, the report foresees intensified competition between ports, particularly in the UAE. The ports which will attract most

wait is roughly in the same category as, say, Felixstowe and Liverpool. Yet of the bigger Gulf ports only Kuwait is without a single gantry crane, usually reckoned to be essential for handling containers. The TEU volume handled by the Shuwaikh container terminal can, therefore, be considered as a considerable achievement by Overseas Containers, the British consortium responsible for it. The planned nine new berths, however, provide for three gantry cranes.

Of the four million tonnes of freight now handled annually by Shuwaikh about 60 to 65 per cent is general cargo in containers, and this proportion can be expected to increase. Of this tonnage transshipment to Iraq accounts for 500,000 tonnes, and another 500,000 goes there from Kuwait's other port, Shuaiba.

The transshipment commitment to Iraq appears to be something of a burden to Kuwait, but it is borne, for one thing, in the interest of the present mood of détente between the two countries. Iraq certainly needs all the shipping help available just now for, unlike the rest of the Gulf, congestion there has returned.

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outside Basra of between 80 and 90 days," says Dr Makki. "This is almost entirely due to Iraq's having offered to be the host to the next nonaligned nations summit meeting and the need, therefore, to build the accommodation and facilities of all kinds that will be necessary."

One factor that might have been expected to cause a temporary return of congestion, or at least a shortage of berths, in other Gulf ports, namely the imposition of trade sanctions on Iran by America and some of her allies, is not apparently likely to have that effect.

"There has always been some unofficial reexporting from Kuwait," Dr Makki concedes. "With customs duty as low as 4 per cent on some goods and only 15 per cent on goods that can be produced in Kuwait, the attractions are obvious and such reexports have been as high as 25 per cent of the total imports. But it does not seem likely that this unofficial trade can be increased significantly."

It is clear that all Gulf ports face increasing competition. Shuwaikh, under the management of Dr Makki, seems well placed to take advantage of any opportunities for expansion.

Alan Grainge

## Docks confident for future

One of the features which makes Kuwait's port at Shuwaikh of special importance to the Gulf and which entitles it to be considered as one of the main ports in the region is its maintenance and repair facilities. These are provided by the Kuwait Shipbuilding and Repairing Company (KSRC) which was established by emiri decree in April 1974. The project was carried out by the German shipyard company, Blohm & Voss, in cooperation with Associated Marine Consultants of Holland, and the yard became fully operational two years ago.

Although the KSRC, in which the Kuwait Government has a 23 per cent shareholding, has still to make an operating profit, Mr Ali Mohammed al-Modhaf, the general manager, is confident about its prospects.

"In our first full year we repaired more than 200 vessels both afloat and docked, and we expect to make a profit this year," Mr al-Modhaf says. KSRC's total assets were valued at KD27m (£43m) at the end of last year and the plant and repair yard are shown in the accounts at KD23.8m (£38m).

In an area of 200,000 sq metres the KSRC provides:

a floating dock capable of taking vessels up to 35,000 tons and a lifting capacity of 14,000 tonnes; a shipyard with 2,000 tonnes rated lifting capacity for vessels up to 90 metres in length; a transfer yard which is complementary to the shipyard so that vessels can be rolled on cradles by longitudinal and transverse movements to any of seven independent repair bays; a floating workshop for time-saving repairs on vessels lying at anchor; and fully equipped workshops and service facilities.

For the first few years Blohm & Voss, has undertaken to supervise the management of the Shuwaikh dock and repair yard, a fact which might indicate that the Kuwaiti Government seriously intends it to succeed and does not regard it as being there merely to enhance the port's prestige. But there will be competition, too — particularly from Singapore," Mr al-Modhaf says. In addition to the port area Shuwaikh has an important industrial development complex. Originally managed by the Kuwait Municipality it is now the responsibility of the Ministry of Commerce and Industry.

A.G.



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	End 1969	End 1979
Year of operation	2	12
Capital	2,000	12,000
Capital & Reserves	2,499	46,048
Deposits	55,862	771,341
Advances	31,836	342,652
Contra-accounts	32,991	232,587
Total Balance-Sheet	91,592	1,051,175
Net Profit	609	3,605

(figures in thousands of Kuwaiti Dinars)  
(1 KD. = US \$3.66 end 1979)

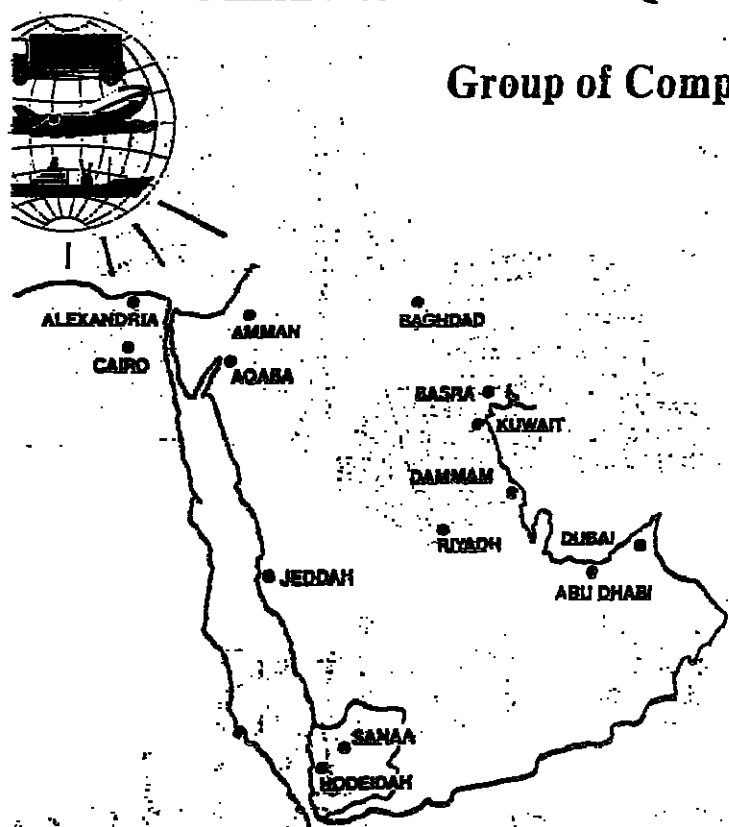
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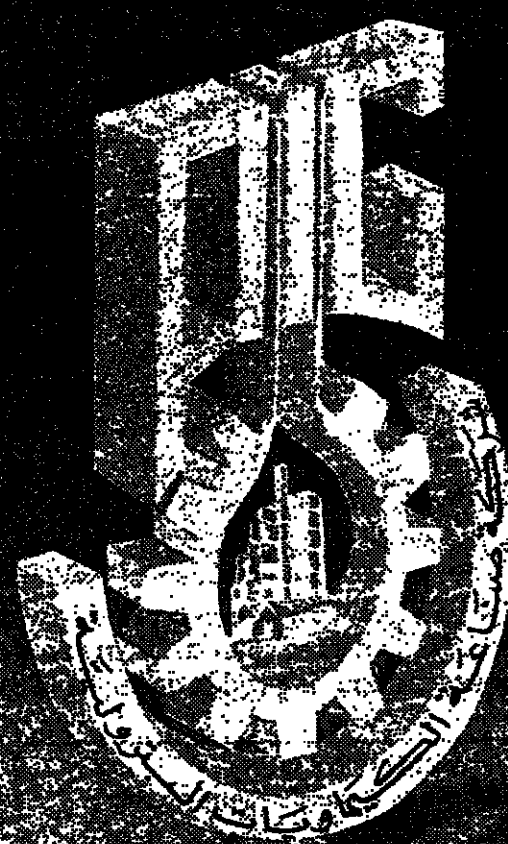
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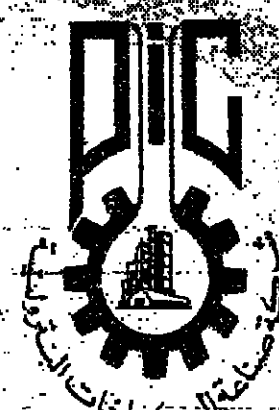
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Michael Prest considers two related dilemmas of a country with enormous income

## How to dispose of a revenue surplus

Whereas in these straightened times most countries are seeking to reduce expenditure, the Government of Kuwait is constantly trying to raise spending to meet income. The apparently inexorable rise in oil prices, partly because of market pressures and partly because of conscious decisions by the Kuwait Government among others, leaves government revenues way beyond requirements.

Even after the prudent policy of suppressing inflation and the legal minimum of saving have been met, Kuwait's revenue surplus in the current financial year could be as much as \$8,000m. Spending which is not directly productive in an industrial sense falls into various categories. One is dispersal of income overseas, either through foreign aid or through investment forming part of state reserves. To some extent both may be regarded as aspects of foreign policy.

The second is social development at home, a heading which must be treated cautiously because of the many activities it embraces. Unlike expenditure abroad, which can be seen as a weapon against inflation, social expenditure may increase inflation and is therefore approached by government with care. A third spending category is domestic basic services and industry.

Perhaps the most extraordinary figure, in a country where statistics are almost American in their capacity, to surprise, is the volume of foreign aid given. Kuwait is estimated to be giving away annually about 7.5 per cent of gross national product, or, if that rate is maintained, about \$1,500m this year. Since independence in 1961, Kuwait may have given away \$10,000m. All this is quite separate from commercial and private investment outside the emirate.

Two main channels are used for official assistance. The best known is the Kuwait Fund for Arab Economic Development, founded in the same year as independence.

After a number of accretions, the fund's authorized capital is now about \$3,800m, and the paid-up capital is \$125m.

In practice assistance is not completely restricted to Arab states, although they received about half the \$2,200m lent up to the middle of 1979. About 30 per cent was borrowed by Asian countries, and 16 per cent by African ones.

In theory terms are commercial, although sometimes loans are very soft. Last year, for instance, the fund lent \$5.4m to the Comoros islands at 0.5 per cent interest, repayable over 40 years, and with a 19-year grace period. But under its charter the fund cannot provide balance of payments or budget assistance, only project aid.

Less specific aid is the responsibility of the Ministry of Finance. Figures for its budgetary and balance of payments support are not published, if only because much of it over the years has been political: support for the Palestine Liberation Organization and other Arab states in their struggle against Israel, with military spending forming a high proportion.

The ministry also handles contributions to pan-Arab bodies such as the Islamic Development Bank, the Opec Special Fund, the Arab Fund for Economic and Social Development, which happens to be based in Kuwait, and other organizations including the United Nations and the World Bank.

The importance of this heavy and systematic spending goes beyond charity, although it would be childish and hypocritical of countries whose foreign assistance does not meet the agreed base of 0.75 per cent of gnp annually to ignore Kuwait's generosity. For a tiny state as militarily weak as Kuwait, foreign aid is a telling method of securing friends and influence. It is not accidental that in recent years the Government has quietly tried to put more emphasis on pan-Arab projects, thereby drawing the fangs of some of the more radical Arab regimes.

Some of the same considerations may apply to official foreign investment, but in this case the stringencies are very different. Foreign investment by the Government is dictated by law, prudence and policy. The legal requirement is that 10 per cent of gross government revenues be committed to the Kuwait Fund for Future Generations.

At the end of 1978 the fund held about \$13,000m, and must now be about \$15,000m. The limitations of the Kuwaiti economy mean the vast bulk of this considerable sum must be invested abroad.

In addition, a policy of providing as much as possible for the future—in other words, deferring current spending—against a fall in oil income, which is not necessarily the same as the "oil running out", means that the state general reserve has assets of a further \$20,000m to \$25,000m.

Most of these funds are handled by the Ministry of Finance, amid great secrecy. The largest proportion is obviously in the United States, and even more could be denominated in dollars. Altogether about 18 portfolio managers are thought to be employed, including most of the world's leading banks.

The more public investments are 14 per cent in Daimler-Benz, a large piece of real estate around the Champs Elysées, and 35 million shares in various Japanese heavy industries.

These overseas holdings probably generate an income of at least \$3,000m a year, all of which is promptly reinvested.

One type of domestic expenditure which is unavoidable, again for reasons of policy and prudence, is industrial and basic service development. Curiously, Kuwait might still in some ways be thought an underdeveloped country if judged by these standards. Apart from the oil sector and a small amount of private industry catering for construction and home consumption, government policy towards industry has been cautious.

The project budget in this financial year is only about \$1,500m, of which a mere \$140m is for new schemes. The Ministry of Public Works and the Ministry of Electricity and Water, together account for about 85 per cent of all project spending.

## Control of government spending is sole fiscal weapon

All economies have their oddities, but Kuwait's is one of the strangest. Consider a government whose revenues may run this year to more than \$20,000m has only two chief ways of controlling income and expenditure—reducing oil output and putting more cash to reserve.

While 95 per cent of revenue is generated by oil, that sector employs only about 5,000 people, just 2 per cent of the labour force, and a policy of complete freedom of capital movement makes the economy prone to liquidity crises, although 46 per cent of the whole population is employed by the Government.

At the heart of these dilemmas and contradictions is a simple ideological fact. Although the state-controlled oil sector of the economy is overwhelming, the Government is committed to free enterprise. For centuries Kuwaiti merchants have been renowned throughout the region for their trading skills, and the ruling family knows it cannot suppress those skills even if it wished. The Stock Exchange, investment companies, new ventures in shipping and industry, are all testimony to the speed with which Kuwaitis have adapted to contemporary forms of trading.

Yet sincere dedication to free enterprise is combined with a deep-rooted cultural belief in promoting the welfare of citizens. Critics see the huge social expenditure, and the more or less open-ended Civil Service, as a kind of paternalism which disguises an otherwise conservative and undemocratic state. However justified such criticisms may be, the welfare state also has origins in Islamic notions of charity.

At the same time, the particular way in which this system has developed—at least in so far as it applies to Kuwaiti citizens rather than those who live in the country but have inferior rights—owes much to the economy's lopsided structure. It has been argued that the Government's and the country's huge revenues are identical and are not the work of a significant group of economic agents, whether entrepreneurs, labourers, industrialists or firms; consequently, all sections of the population are equally entitled to the benefits. By the

same token, the incentive to work in a supposedly free enterprise economy is much reduced.

The claims of the population to become rentiers are all the harder to resist because the Government has so few macroeconomic instruments at its disposal. There are no taxes, although the idea has been mooted, so the sole fiscal weapon is control of government spending. This has been used with some success over the past two years, chiefly to bring down the inflation rate. The 1977-78 and 1978-79 general budgets were held at about \$8,300m, and the present budget allows for only a slight increase in prices. Partly as a result, inflation has subsided from about 25 per cent a year to roughly 12 per cent.

Income which is not spent is put straight to reserve. By the end of 1978 those reserves stood at the enormous amount of approximately \$35,000m, and are probably growing by some \$10,000m a year. For the other side of the expenditure equation is the equal difficulty the Government has in restricting income. Oil production has now been cut to 1,500,000 barrels a day, one million barrels a day fewer than a year ago. But over the same period Kuwait's oil prices have gone up by nearly 150 per cent, although for a time the official policy was to hold them down in the interests of oil-importers.

An illustration of how embarrassing oil income is becoming is that income from other sources covers about 35 per cent of government expenditure. Of rapidly growing importance is investment income, now possibly more than \$3,000m a year. Government planners believe that the non-oil gross domestic product is capable of sustaining a real growth rate of 7 per cent over the next five years, compared with 17 per cent a year between 1972-73 and 1977-78.

The sector includes private industry, basic services and the government projects in petrochemicals and related fields.

It remains to be seen, however, whether the planners can either plan or put their plans into practice. The record so far is not good, although whether that much matters in a country

such as Kuwait is debatable. The planners' essential aim is to diversify away from oil.

At present consumption rates, reserves are expected to last for 100 years. But it is impossible to anticipate what will happen in that time, and Kuwait has no wish to remain a monoculture economy. More specifically, dependence on oil in the international economy as it is at present constructed implies a continuous inflationary danger.

This danger explains one of the central oddities of the Kuwaiti economy. Despite the theoretical increase in the actual rise in individual living standards is much slower. Last year the World Bank estimated per capita income at \$14,900, the highest in the world. Between 1972-73 and 1977-78 total gnp expanded at an average of 22 per cent a year. But government efforts to control inflation by holding down spending and putting a steadily larger proportion of income to reserve mean that available income per capita is in fact much less than total gnp. By the end of the current financial year, for instance, it could be about half.

The oversaver, however, is that the Government has ample resources to pump into the economy if and when it is necessary. During last year's liquidity crisis, brought on by fixed interest rates well below international rates and by a massive flight of funds after

the fall of the Shah of Iran, the authorities resorted to their old device of land sales. Increased welfare spending, especially on housing, may also be seen as adding to income.

But whatever policy instruments the Government employs, one problem is likely to prove very hard to overcome. Development away from oil implies sucking in an even bigger foreign labour force. According to the 1975 census, the population consisted of 500,300 Kuwaitis and 563,000 others. The census now being conducted could reveal a population of 1,800,000. By the year 2000 it is likely to be much bigger than the 2,500,000 originally forecast by the planners.

And although the strictly Kuwaiti population is growing faster than the non-Kuwaiti, the latter will still be about half the total.

In itself the national composition of the population should not be a factor of economic importance. But the understandable concern of Kuwaitis to preserve their identity effectively limits the labour supply.

Improvements take time, however, and time may not be on Kuwait's side.

A student of marine biology at the University of Kuwait: education is one benefit of the welfare state created by the Government in a tax-free society.



## Investors look abroad at real estate

The flight of funds from Kuwait resulting from political uncertainty in the region has halted the attempt to create a diversified capital market at home. There is increasing evidence that the Government, the investment companies and the private sector are looking more at investment opportunities abroad in real estate and blue-chip equities.

Leading companies such as the Kuwait International Investment Company (KIIC) are hedging to protect their positions. Mr Hikmat Nashashibi, the KIIC general manager, and perhaps the best known Kuwaiti banking personality abroad, says: "From 1980 our income will come mainly from investment in real estate."

As if to emphasize the point one of the least well known Kuwaiti interests, Artec Bank & Trust, has just paid \$15m for the Biffa, Vauxhall Bridge, in London. In January Kuwaitis bought for \$120m five Paris buildings in avenue Montaigne and rue Jean Goujon which are the present headquarters of the French chemical group Rhône-Poulenc.

The Government has recently acquired a 10 per cent stake in the Frankfurt-based metal smelting and trading company Metallgesellschaft to match its other interests in Korf Stahl and Daimler-Benz and in the private sector wide publicity has been given to the acquisition of a 10 per cent stake in Grindlays Holdings, which has a controlling stake in Grindlays Bank, by the Kuwaiti business house Mussad al-Saleh & Sons.

In November Kuwait began to buy large numbers of shares in Japanese companies. By early March this was estimated at 102 million shares in 96 companies by the daily *Nihon Keizai Shimbun*, though this may be only the visible portion since disclosure laws apply only when the equity holding reaches 25 per cent. Analysts link the Kuwaiti interest in Japanese equities specifically to strength in the dollar but entrepreneurial flair is also a factor.

The pattern of holding is very much the traditional one of the Gulf investor. When Kuwaiti investors move to larger arenas and attempt to take controlling interests in companies to sway policy, they have been less successful. Two such failures were when Kuwaitis failed to buy into two Japanese oil refining companies, Idemitsu Kosen Company and Maruzen Oil Company, and when Shaikh Nasser Sabah al-Ahmed al-Sabah failed in 1979 to get directors nominated on to the board of Lonrho in which he has a 19 per cent stake.

If political uncertainty was one half of the equation which equalled the suspension of the capital market then the other was high dollar interest rates. A moratorium has to be imposed on new Kuwaiti dollar bond issues in September 1979 and this is unlikely to be lifted unless international interest rates fall close to the 8 per cent which is being offered in Kuwait.

Until the moratorium was imposed, 1979 had seen 13 Kuwaiti dollar bond issues totalling KD 106m with coupons extending from 7½ per cent to 8½ per cent. The most pleasing aspect to advocates of the Kuwaiti dinar bond market was the arrival in 1979 of triple A rated (high quality) borrowers such as Caisse Centrale de Co-operation Economique of France, the Swedish electrical equipment manufacturer Asea, the Norwegian Norges Kommunalbank and the Finnish borrower Teollisuuden Voima.

This has to some extent supported the arguments of Nashashibi and others that the market has created its own momentum. It saw the first private sector credit which were non-government guaranteed and the issues had been placed in an atmosphere of an inverse yield curve.

Yet all this is to some extent special pleading. The big growth in the Kuwaiti dinar bond market in 1979, with the arrival of City of Oslo, the first prime name was all against a background of weakness in the dollar. Although there has been some reduction in United States banks' prime rates, which may result in a recovery, it will be difficult to reestablish the Kuwaiti dinar market at anything like its 1978 level.

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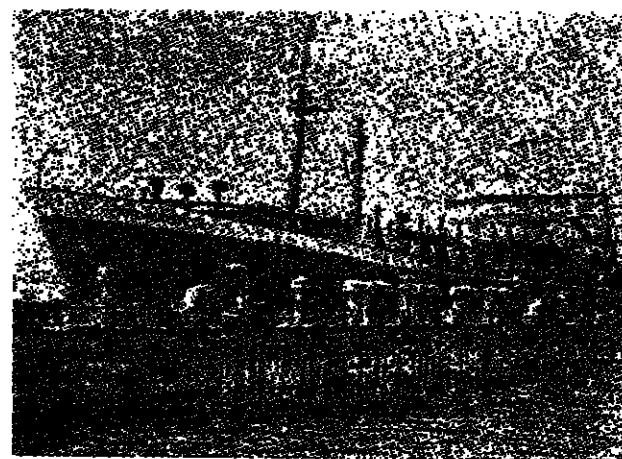
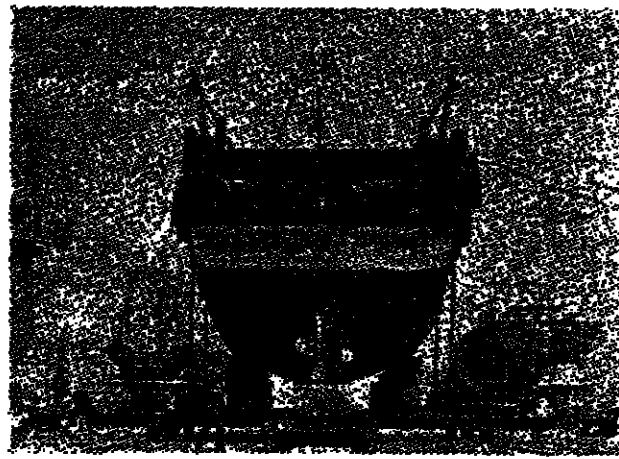
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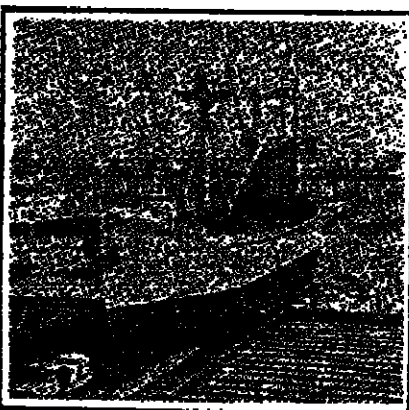
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مركز من الأصل



seven hundred and  
res of chalk down-  
Down in Dorset  
from three  
£3,346 by the Air  
bombing range. In  
Ministry decided  
further use for the  
was eventually sold  
prisoners of Crown  
by them to a  
had no previous  
the property.  
the heir of one of  
owners, tried unsuc-  
cessfully to obtain  
the current  
year 1933 the  
Agriculture, Sir  
appointed Sir  
to hold the  
The inquiry was  
conduct of the  
involved consider-  
able hostility to  
Mrs Marten was  
by a feeling  
that any member of  
should have the  
oppose or even  
of decisions of  
debated in the  
House on 13th 20,  
Sir David Dugdale gave  
the opinion that when land  
was compulsorily  
sold, no longer  
would be sold and  
occupant would  
be given the  
if buying it back.  
the market price as  
the "standard value".  
that the procedure  
possible be applied  
y to Crichel Down,  
in fact done. Sir  
Dugdale concluded his  
accepting ministerial  
for the conduct of  
and announced  
n. A promising  
mentary Secretary  
ry of Agriculture,  
on, also decided to  
as he had had no  
nsibility for the  
felt to be some-  
Two principles  
shed; the very  
inciple of ministerial

responsibility, and  
another principle that  
compulsory purchase, if no longer  
required, should naturally lead  
to an offer being made of  
repurchase to the original owner.  
If the state uses abnormal powers  
it has a duty to do what it can  
to protect those who are injured  
by such powers.

A precisely similar case has  
now arisen over the Bloomsbury  
premises of the distinguished  
publisher, George Allen and  
Unwin. This historic building was  
sold to the government in 1963  
under threat of compulsory  
purchase, at a time when the  
government were acquiring the  
proposed site for the extension  
of the British Library. The  
British Library is no longer to be  
sited in that area and the prop-  
erties then acquired are being  
sold. Messrs Allen and Unwin,  
who have conducted their busi-  
ness in these premises since  
1914, want to repurchase the prop-  
erty. It clearly has strong  
historic associations with their  
firm. The Department of the  
Environment have refused to  
accept the Crichel Down prece-  
dent; they have refused to  
honour the assurances that were  
given in the Crichel Down debate  
on the grounds that the Crichel  
Down Assurances applied only to  
land and not to buildings, trying  
to void an obligation of justice  
by a quibble.

It is true that the Crichel Down  
case concerned land, and was  
argued on that footing, but it  
primarily concerned a principle  
which was stated by that excel-  
lent Home Secretary, Sir David  
Maxwell-Fyfe, in concluding up  
the debate: "Every citizen of good  
will sees his land go in time of  
emergency" for Government  
requirements with as much good  
will as he can muster; but it is  
raken for a specific purpose, for  
a specific need of the State. When  
that purpose is exhausted, when  
that need is past, what is wrong,  
on any consideration of morality  
or justice, in allowing the person  
from whom the land was taken to  
have the chance of getting it  
back?" Crichel Down was not an  
issue of land as against buildings.

but of morality and justice  
against administrative oppres-  
sion.

The principle in the two cases  
is exactly the same. The original  
owners did not want to sell  
Crichel Down. Allen and Unwin  
did not want to sell their  
Bloomsbury premises. Both  
acted under coercion or pres-  
sure and the government used  
the strength of its compulsory  
powers for what then seemed to  
be a good reason. In time the  
good reason ceased to exist; in  
both cases civil servants then  
decided that they would gratui-  
tously do what substantial  
injustice lay in their power, and  
for what other reason than that  
they were irritated to think that  
private rights should be  
asserted against the state's  
authority.

The present proposal, from  
which the Department of the  
Environment refuses to shift, is  
that Allen and Unwins' building  
should be auctioned on July 3.  
We now have a Conservative  
government. If there is one good  
reason which leads people to  
vote for Conservative candidates  
it is the belief that Conservative  
governments will uphold the  
right of individuals against the  
power of the state, and indeed  
of the bureaucracy. If the  
Department of the Environment  
are allowed or instructed by their  
political masters to violate the  
Crichel Down assurances on the  
slender pretext which they have  
advanced, then the Secretary of  
State will have put himself into  
the box, or dock, that Sir Thomas  
Dugdale occupied. If the Prime  
Minister herself allows the  
Department to get away with  
this example of the arrogance of  
power, she will have greatly dis-  
appointed those who believed  
that this is exactly the kind of  
public wrong which she person-  
ally would not tolerate. This  
may seem a small issue; the  
sums involved are indeed small;  
but it is in fact a great one. Does  
the citizen have the ability to  
compel the state to do right, to  
honour its promises, and not to  
abuse its enormous power?

go the voters of  
k a decision which  
believed to be  
i they supported  
thirteen, a measure  
y taxes in the state  
was the start of a  
ovement across the  
ny other states  
asures either to  
or to limit public  
st November Cal-  
led for another  
osition Four this  
at a ceiling on local  
spending in the  
seemed to be part  
reaction against the  
government which  
cerned outside the  
as well.

The trend has been  
te in California  
e defeat of Proposi-  
ion was designed to  
ite income tax. It  
a to conclude from  
tax-cutting move-  
ment put into reverse.  
Does not amount to  
this Proposition  
s rather than  
e is a limit to the  
-cutting if there are  
undesirable social  
at deal of play was  
course of the cam-  
paign threat to public  
s Proposition went

for the jobs of their members.  
But there must also have been a  
widespread feeling among voters  
that this was simply not a  
realistic proposal. Following the  
other measures that had already  
been taken to restrict public  
spending. The old-fashioned per-  
sonal style of Mr Howard Jarvis  
who led the campaign for Propo-  
sition Nine as he had done for  
the two earlier Propositions, had  
also become a liability. His  
manner may have seemed just  
too rough for a good many  
voters.

It will obviously be necessary  
to watch the effect of this  
decision elsewhere in the United  
States over the coming months.  
Just as the success of Proposition  
Thirteen heralded the nation-  
wide movement for tax-cutting,  
so it is possible that the defeat  
of Proposition Nine might mark  
its general decline. It is more  
probable, though, that this  
decision indicates not that the  
American public have suddenly  
lost their taste for lower taxes,  
but that they have preserved  
their sense of proportion in  
imagining it.

If that is so, the most im-  
portant effect of this decision might  
be on the politicians themselves  
who might conclude that they  
too would be wise to demonstrate  
a sense of proportion. They will  
be expected by the public to  
keep taxes as low as possible,  
but not at all costs. In other  
words, they must not accord tax-  
cutting such an absolute priority  
as to massacre essential public

of the European  
of Human Rights  
minal of three rail-  
British  
sing to join a trade  
avened the Euro-  
on Human  
rhaps unfortunately  
tificant as might at  
. The Commission  
that closed shops  
each of the Con-  
-ording to its in-  
"Article 11 neither  
r allows, the system  
s in general". That  
des that "everyone"  
to . . . freedom of  
ich others, including  
form and to join  
for the protection  
ts". Whether or not  
freedom guaranteed  
icle implies also a  
edom—not to join a  
—was specifically  
the Commission.  
mission's opinion is  
ouched in narrow  
is also out of date.

From Professor D.C. Leslie.

Sir, Dr. Pooley (May 28) has given a strong rebuttal of the allegations of Mr. Burke. The fact that the Earth (estimated on May 15) that the plan for expanding nuclear energy production is dishonest. There is another part of Mr. Burke's speech which requires equally firm treatment. You report him as saying: "I am now beyond argument that there should be no nuclear routes to guaranteeing our energy security . . ." Since argument is now going on, this statement is just wrong, and Mr. Burke presumably meant to say that the issue was beyond serious argument. Even this is nowhere near true.

There are many opinions; a representative view might be that it is quite likely, but far from certain, that an industrial society of the kind we know could be operated on a non-nuclear basis with a small input. The anti-nuclear lobby concludes from this that one should then do without nuclear power, but a dispassionate assessment of the risks suggests that it would be better to use the opportunity to stretch out the time when we have to demonstrate how we could pass without grave disruption from our present high energy consumption society to one with a much lower consumption on the time scale of the exhaustion of our oil supplies.

What Mr. Burke proposes is a dangerous alternative is in fact an insecure option. It might work but has no way of proving that it will. The only certainty is that if we take his advice and he proves to be wrong the consequences will be very severe. The best estimate of the probability of this is that whatever we do energy supplies are going to be tight and that we will compound our difficulties if we forswear nuclear energy.

Mr Burke quite rightly demands a reassessment from his pro-nuclear supporters of the evidence and the same standards. Far too many of the speeches and writings emerging from the anti-nuclear lobby represent opinion as fact and possibilities as certainties. The officer is to persuade many members of the public, but find it very difficult to check such statements, that nuclear power is intolerably dangerous and that the alternative is a disaster. A dispassionate assessment does not make either proposition look probable, and the fears which these utterances produce are a serious obstacle to rational discussion and decision.

Yours faithfully  
D. C. LESLIE,  
Department of Nuclear Engineering,  
Massachusetts Road College,  
Boston, Mass, U.S.A.  
June 2, 1964

From Mr J. P. Spurgeon.  
Sir, If Mr Peter Murray's letter (May 27) represents the views of his fellow-professionals, we need no further proof that artistic sensitivity and architectural sense are dead. It is really suggesting that the Nat-west tower and its lesser brethren have improved the look of London? As a visitor over many years I have watched St Paul's decline from a position of calm and proper respect to something like a wood-cutter's hut in the forest.

In asking us if we prefer tower blocks to bomb sites Mr Murray seems to imply that any building, irrespective of merit, is preferable to a piece of flat ground. Is this the kind of thing which misled British architects since the war?

Yours faithfully,  
J. P. SPURGEON,  
The Manse,  
25 Taylor Street,  
Hollington,  
Breda,  
Cheshire.

From Mr. John Copeland  
Sir, At a time when £500,000 is being saved by disbanding orchestras, the BBC is spending a considerable sum in setting up and financing Radio Lincoln, due to start broadcasting in November.  
This station, in common with all other local radio stations, will no doubt have a large "fine foodies", top town quizzes, and gramophone requests for grannies, in addition to an endless barrage of pop music.  
For 5 years we have managed in Lincolnshire without these delights, and I am sure that many Lincolnians would be willing to forgo local radio for the sake of saving five fine orchestras.  
Yours faithfully,  
JOHN COPELAND,  
The Hayfield,  
Burton-by-Lincoln,  
Lincolnshire.

From Mr Henry Morris  
Sir, Miss Marys Gallant (May 24) Is  
to be commended for drawing atten-  
tion to the deliberate smashing of  
23 headstones bearing the Star of  
David at the Canadian war cemetery  
at Beirout, our-Lain.  
The deliberate smashing of cem-  
eteries is not a new phenomenon, it  
has happened many times over many  
years and continues to happen all  
over the world. What is a new and  
disturbing feature is the deliberate  
seeking out of the graves of men  
and women of the Jewish faith who  
lost their lives in the service of  
their country, and the indifference  
with which these mindless acts are  
received. The Association has great  
admiration for the beauty and care  
which they receive, the care with  
which they are maintained and the  
highest praise for the Commission  
which looks after them. It was  
therefore an even greater shock  
when we learnt soon after the  
andalism in France that cemeteries  
a Lebanon, particularly in Beirut,  
had been damaged in the same way.  
It was thought at first that the  
damage was incidental to the fight-  
ing of the past few years and not  
directed specifically against the  
Jews. However, it is  
now known that many of the  
only Jewish headstones which have  
been smashed and when replaced  
smashed again. As a result, to avoid  
further desecration all headstones  
bearing the Star of David or an

Sir, The controversy over jury vetting is in danger of confusing what should be two quite separate issues. There is the problem of the prevention of disqualified jurors from being included on the panel at all, and there is the issue of the suitability of particular jurors to try particular cases.

The first problem should be capable of solution without too much difficulty. Potential jurors should be warned in emphatic terms that they risk prosecution if they do not disclose that they are disqualified, and that there will be periodic checks of the whole panel at the smaller courts or at least spot checks of the larger ones. These checks must be carried out by the police, and if disqualified jurors are found, then those jurors should be removed from the panel altogether, administrative action and prosecution should follow. There would then be no reason to make checks for disqualification in particular cases (which gives rise to grave problems of selection), to avoid the possibility of a "cherry-picking" of jurors to meet particular challenges on this basis in open court. It may well be that Parliament ought also to consider whether the present limits of disqualification are not too narrowly drawn.

Once the problem of disqualified jurors have been removed in advance, then the real jury-vetting issue is whether there should be any control over the selection of jurors to try a particular case. An obvious answer is "yes". I do not believe a jury should consist of 12 wholly impartial people. This must inevitably lead to offensive inquiries being made into the private lives of citizens, and eventually to the "outing" of private citizens as an empanellment of the jury often takes many weeks. It is in any event a chimera. If fear of possible preju-

Sir, in a letter recently published by you (May 28) the Principal of Reid Kerr College argued, in excellent crisp prose, that for over a century the general public has been misled by teachers into thinking that the true mark of an educated person is the latter's ability to use words. Such a view was mistaken: "only a very small proportion of men and women can effectively learn by reading and writing", he wrote. He then proceeded to argue that the rest of us learn by "shaping" things, by putting our wits and nervous and muscular strengths against materials to make them into "shapes", etc. He further suggested that our education is obsessed with words and symbols so that our technological and scientific progress is retarded, and one took his meaning to be that our educational orientation is thus harmfully directed by a myopic snobbery which prefers abstract skills to practical ones. If Mr Elliott is attacking a truly aberrant educational dogma, it is a shame that he has perpetrated an exactly congruent heresy. His questionable doctrine, that most people learn by doing because that is the key evolutionary inheritance

Sir, A. L. Goodhart in the *Low Quarterly Review* in January, 1967, rightly commented on the state of the literature critical of the single bullet theory of the Warren Commission on the manner of President Kennedy's death that "however many zeros are added together, the result will still be zero". He then added that since "nothing new had been found in more years of hard headed examination than turning up was 'nil'". Goodhart himself, however, would probably have been the first to admit that "nil" was not "zero", particularly if he were to review the new acoustical analysis made by the House Select Assassinations Committee that showed that the 50 per cent probability ("beyond a reasonable doubt in lawyer's terms", the scientists testified) that there were, in fact, two shooters at work on that tragic day in November, 1963, the Kennedy assassination. The President's death, therefore, is not, "Did Oswald have help?", but "Who was it?"

Until they do, the task is to come to grips with it (the purpose of Summer's book), not to reject it out of hand with a derogatory label ("snow job") because it disturbs a comfortable verdict of history. The reviewers correctly quoted me as crudely saying that those who examine the acoustical studies and do not agree with them are "either dumb or biased". I was perhaps wrong: some, apparently including Mr Brogan, are neither dumb nor biased, just too stubborn in refusing the received wisdom of the past.

Sincerely,  
C. ROBERT BLAKEY,  
Former Chief Counsel and Staff  
Director, House Select Committee  
on Assassinations.  
Cornell Law School,  
Mayron Taylor Hall,  
Ithaca,  
New York 14853,  
United States.  
May, 28.

Sir, During the war Sir Philip Mitchell and I were both in the North West. Sir Philip Mitchell, later Governor of Kenya, was Governor of Fiji and High Commissioner Western Pacific. In view of present events it is interesting to note that in his Diary he wrote on September 5, 1942: "I read up papers including the Protocol for the Condominium in the New Hebrides which is quite phoney—Gilbert and Sullivan would have made a beautiful opera out of it."

Yours faithfully,  
 RICHARD A. FROST,  
 18 Hawkswell Gardens,  
 Oxford.  
 June 4.

From the Reverend R. C. Allison  
Sir, There are signs that there is a growing amount of real hardship being faced by some people in today's society.

marriage she had not been able to buy a Sunday joint. All through the depression years she had managed to afford it, but not in 1980.

Last week two small children came into our Bread-Line shop with Mom. After buying two large loaves for mother at a reduced price, the boy pulled \$1 out of his pocket and handed it to his sister: "Let's see if we can buy a cake for \$1 and we'll have it here." The lady next in the queue behind her had read of such things happening years ago, but never so recent she'd actually witness it.

society fight for additional wealth, let us not forget that if present indications are correct, the poor are getting poorer. I am not convinced that this is properly under-

From Mr Eldon Griffiths, MP for Bury St Edmunds (Conservative)

Sir, The letter from Geoffrey Drain (June 4) is one of the most depressing to have been published in *The Times* for a very long time. His tone is bitter, his assertions largely untrue, his contentions sterile, out of date and self-defeating.

Most of his arguments can be demonstrated in fine detail. It is not true that the bulk of the last year's rise in inflation is "directly due to VAT, higher charges by nationalized industries and high interest rates". The higher world prices for oil and many commodities, coupled with higher wages, not matched by increased productivity, have contributed at least as much, if not more, to the rise in the cost of living. Nor is it true that the "theories of trade unionists to organize are being curtailed by law" or that the "social wage is to be virtually eliminated".

It is, I suppose, a ritualistic necessity for the General Secretary of Nalگو to parade these arguments, in advance of his union conference, and to make a point of distributing to distribute which many of your readers may find distinctly voocaptable. The first is that like the Bourbonnais he appears to have "forgotten nothing and learned nothing." How can he be so stupid as to suppose that if at a time when our national output is falling he demands that "three-quarters of a million Nalگو members should have the right to maintain their living standards by continuing to demand falling inflation." The combination of increased oil prices and falling industrial output makes it inevitable that there must be some fall in living standards. No one doubts that. The only question is, how far is it reasonable to expect, but it is folly to refuse to face it.

More dangerous is Mr. Drain's implied threat of industrial action by Nalco. Talk of "resisting fiercely...giving a massive thumbs down to insane policies" is hardly language to be expected of a responsible trade union leader who wants to be taken seriously. There are plenty of legitimate criticisms Nalco can make of the present Government without its General Secretary resorting to old-fashioned socialist rant and covert threats of industrial blackmail.

Yours sincerely,  
**ELDON GRIFFITHS,**  
House of Commons.  
June 4.

Sir, An argument is used by many commentators on the current energy crisis is that the latest Civil Service pay settlement has forced up the going rate for pay settlements in the private sector.

How can this be? Civil Service pay is always settled in arrears - the private sector settlements reflected the private sector salary increases in the previous 12 months. Moreover the actual settlement of 16.5 per cent is considerably less than the average private sector salary increase of 21.7 per cent reported in a recent survey.

Or have I missed something?

Yours faithfully,  
P. E. TAYLOR,  
70 Haseiworth Drive,  
Gosport,  
Hampshire.  
May 30.

air. In my original letter (May 24) I pointed out that monetarism has failed in a big way to pass the scientific test set for it by William Rees-Mogg, which incidentally, had been broadly endorsed by Professor Friedman (The Times, August 23, 1976). This is because, contrary to Mr. Rees-Mogg's prediction, through the last five years (1975-80) prices have risen far more than the price level. The leading growth of the money stock is not the cause of inflation. Since Mr. Rees-Mogg's proposition was equivalent to saying that the velocity of circulation of money is constant subject to a two-year lag Professor Mogg's observation that the money stock velocity will be the unadjusted velocity will be irrelevant. It ignores the two-year lag which is at the heart of Mr. Rees-Mogg's proposition.

growth in the excess money supply strengthens the case I made in my original paper: monetarism is completely failing to achieve the main objective claimed for it. At the same time, every day brings more evidence that the Government's policy is inflicting immense and perhaps permanent damage on British industry.

Yours faithfully,  
**WYNNE GODLEY,**  
Department of Applied Economics,  
Cowley Road, Cambridge,  
Cambridge.

Yours sincerely,  
ROY C. ALLISON,  
Superintendent Minister,  
Central Methodist Mission,  
Central Hall,  
100 Market Street,  
Bristol.  
June 1.

From Mr. John Boulton.  
 Sir, Regarding the letter (June 4),  
 about cooked eggs and silver: The  
 inside of an egg contains compounds  
 of sulphur which are soluble in hot  
 water. The contact of these sub-  
 stances with the metal produces  
 silver sulphide as a black stain. Of  
 the listed ways of cooking an egg  
 the only poaching brings the inside into  
 contact with hot water—which  
 leeches the sulphur bodies out of the  
 egg. The other methods of cooking  
 do not stain silver.  
 Yours sincerely,  
 JOHN BOULTON,  
 15 Lillingdon Avenue,  
 Warrington Spa,  
 Warricksire.







# THE TIMES

## BUSINESS NEWS

THE TIMES

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## Bank withdraws £1,000m from money markets and cancels £500m recall

By Roman Eisenstein  
Banking Correspondent

In a further smoothing of interest rates, the Bank of England has withdrawn £1,000m from the money markets and cancelled a £500m recall of deposits.

The move is the latest in a series of measures to ease pressure on interest rates. So far the first time since 1977 the banks have been relieved from special deposits. With the "corset" coming off next month, the Government's only control of monetary policy is to be action on interest rates.

Earlier in the year the Bank, in an attempt to prevent interest rates rising further, allowed clearing banks to sell and repurchase later £1,000m of gilt edged stock, equivalent to 3 per cent of their eligible liabilities.

The Bank also temporarily pumped £1,000m into the banking system by releasing for a short while the 2 per cent of

the eligible liabilities the clearing banks had to place with the Bank of England as special deposits since 1977.

Although the Government is committed to a free market in money rates in the first four months of the year, the authorities felt that a Minimum Lending Rate of 17 per cent was as high as they could go. There were then intense pressures for higher rates because of the very large flow of funds from the private sector into the Exchequer.

There were advance payments to the British National Oil Corporation of £500m and the Government had brought forward by two months the payment of the Petroleum Revenue Tax.

Together with an active policy on gilts sales the tax gathering season and certain payment of telephone bills after the strike, the public sector had a temporary surplus at a time when demand from the hard pressed corporate sector was strong.

The Government then took the view that as the problem was temporary some relief on interest rates would not clash with the Government's philosophy. Even so, until last month, the authorities had in effect to intervene to prevent interest rates moving higher.

And had the recall of the £500m from the banking system not been cancelled rates would probably have gone up even now.

As the public sector is now moving into deficit interest rates have fallen slightly. The overnight rate, for example, which in April stood at 17 per cent is now below 16 per cent. The authorities ran the risk of losing their tight control of the money markets.

On May 9 the Bank of England cancelled permanently the recall of 1 per cent of the banks' eligible liabilities which were equivalent to £500m and it is now cancelling the rest.

Financial Editor, page 19

## Land Securities £108m rights issue

By Richard Allen

Land Securities, Europe's biggest property group, stunned the stock market yesterday with news of a £108m rights issue.

The issue will be the biggest since 1967, raising almost £100m, four years ago and the sum involved is more than the total of all other rights calls made so far this year.

Land Securities is to offer one new share for every six held at a price of 182½p, representing a discount of over 20 per cent on the overnight price of 330p a share.

After the announcement Land Securities' share price fell 20p to 310p and sharp falls were recorded elsewhere in the property sector.

The group wants the cash to

finance further developments in particular two large projects in prime London positions. These are the complete refurbishment of Devonshire House in Piccadilly and the construction of a 130,000 square foot office block in King William Street in the City.

These and other refinements and developments represented future capital expenditure commitments totalling £22m at the end of March, while the group is considering several other possible freehold purchases.

The group's borrowings stood at only £30m at 26 per cent of shareholders' funds at the end of March, while the group is considering several other possible freehold purchases.

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shares have risen strongly in the first part of this year reflecting a fairly heavy institutional buying.

Before the rights Land Securities has been among the strongest performers, partly because of its low gearing and the fact that almost 70 per cent of its portfolio is in London.

Market suggestions that Land Securities might be considering using some of the cash to make a takeover of another property company were denied by spokesmen last night.

Under the terms of the issue which has been underwritten by J. Henry Schroder Wagg, merchant bankers, pro rata terms are offered to holders of all convertible loan stocks.

## Fed to maintain money targets

From Frank Vogl  
US Economics Correspondent  
Washington, June 5

Further moves by the United States Federal Reserve Board either to directly boost bank reserves or to alter the terms of the special credit controls imposed on March 14 are likely soon, according to informed sources.

But Mr Paul Volcker, chairman of the Fed stressed yesterday that it would be utterly wrong to conclude that the Fed was easing its policies. The Fed was determined to attain its money growth targets.

His remarks came as several large banks cut their prime rates from 14 to 13 per cent and First National Bank, in Miami, moved down to 12½ per cent. Other banks are bound to follow, especially if the Fed does act to increase bank reserves or reduce controls.

Such moves would be wholly consistent with Mr Volcker's comments on attaining the money supply targets. The latest money stock data show an alarming degree of money supply contraction.

The Fed could add substantial sums to bank reserves now and still ensure that the money

stock is below or at its target levels of 3 to 6 per cent for M1A and 4 to 6.5 per cent for M1B.

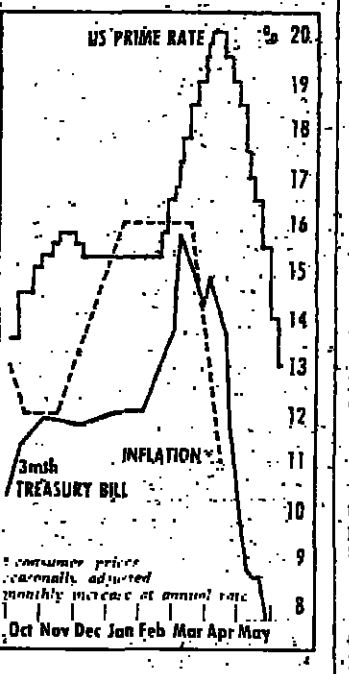
Data for the four weeks to May 21 compared to the previous 13 weeks showed that M1A and M1B fell on a seasonally adjusted annual basis by respectively 7.2 and 5.9 per cent, while compared to six months earlier M1A was down by 0.3 per cent and M1B was up by only 0.7 per cent.

And the money aggregates have grown over the past year by just 3.6 per cent on an M1A basis and 4.6 per cent on an M1B basis.

Significantly central bankers, including governors of the Fed, do not appear worried about the effects of declining United States interest rates on the external value of the dollar.

There appears to be some evidence that investors who move into dollars a few months ago to gain the record high United States yields are now turning to gold as the United States investments become less attractive.

The rate for Federal funds is now trading at about 9½ per cent and the prime rate at 13 per cent is still far above the level of most money market rates.



## BP starts 1980 strongly

By Our Financial Staff

A shortage of crude oil supplies is putting British Petroleum at a considerable disadvantage to its competitors, the group warns in its first quarterly trading statement.

All the same, BP has made a strong start to the year with net income in the first three months of 1980 rising from £270m in the same period last year to £493m in the final quarter last year to £504.7m.

As has been the case for the last year or so while oil prices have been rising rapidly, these figures are heavily distorted by the need for British oil companies to use the first-in/first-out system of accounting.

BP says that a truer picture comes from the current cost figures which show net income up from £120m in the corresponding last year to £161m, although this is slightly down on the £168m in the final quarter last year.

The increase in profits has come entirely from BP's North American and North Sea interests. On a current cost basis BP's US Shio operation contributed £71m of the £161m profit against £38m last year.

Oil production from its Forties and Ninian fields averaged 550,000 barrels a day against 460,000 a year earlier. Elsewhere, BP warns that although chemicals and plastics made a satisfactory start to the quarter, by the end of the quarter they were in "severe decline".

BP is also now having to set aside much higher levels of petroleum revenue tax on its North Sea operations—up from £139m to £290m, in the first quarter—now that most of its available allowances have been used.

BP points out that it is "more exposed to the uncertainties of purchasing in the open market than competitors with more secure access to lower cost oil". Supplies are adequate for the time being, BP says, but prices in the major European markets are too low to cover the higher cost of replacement oil. On the stock market BP shares gained 2p to 358p.

Financial Editor, page 19

## New rules on employment of disabled

By Patricia Tisdall  
Management Correspondent

Companies will shortly have to take a new look at their attitudes to disabled employees. Mr Reginald Eyre, Under Secretary at the Department of Employment, wrote yesterday that he intends to invoke his new powers under the 1980 Companies Act to compel companies above a certain size to include in their annual reports a statement of policies in respect of the employment of disabled persons.

The regulations are to be brought into force as soon as possible after June 23 when the relevant section of the Act comes into effect. A draft of these will, however, be circulated to interested parties for comment before the requirements are finalized.

The move has been prompted by concern about the growing proportion of employers who have not filled the quotas of disabled employees as laid down in the Disabled Persons Employment Act 1958. This has grown from 57.3 per cent of employers in 1970 to 63.2 per cent for 1978, the latest year for which figures are available.

Employers maintain that they are unable to meet their quotas because there are not enough registered disabled persons applying for jobs. The Government has said that this is due to a natural reluctance on the part of the disabled to register.

## Data bank service to cut empty lorry journeys

By Edward Townsend

British Road Services, part of the state-owned National Freight Corporation, yesterday introduced a new computerized data bank service aimed at cutting the number of empty lorries on Britain's roads.

Annual expenditure on road freight is more than £10,000m, and it is estimated that almost a third of all lorries on the roads at any one time are running empty, mostly because of the lack of information on the availability of loads for the return trip.

The new service, called Data-freight, was launched by Mr Kenneth Clarke, Parliamentary Secretary for Transport, who gives hauliers and customers access to a computerized list of what loads are available in a specific area and what lorries are able to carry them.

BRS has 300 freight branches throughout the country to be increased to 70 by early next year. Subscribers are charged £75 plus £50 a year for each vehicle entered on the list.

Mr Clarke said that a recent report from the Transport and Road Research Laboratory estimated that empty running was costing about £1,400m at 1978 levels.

Finnish GNP rise

The Finnish government predicts a 6 per cent rise in Gross National Product in 1980 and said investments would continue to rise this year and next.

operating costs. Even a 3.5 per cent reduction in empty running could produce annual cost savings of at least £48m and fuel savings of over 10 million gallons.

Mr David White, BRS group managing director, said that in the first four months of this year, hauliers' costs had risen by almost 14 per cent. But the increase was not, as could be expected, the result of higher fuel costs so much as the effect of wage increases.

Wages in the industry were now rising faster than inflation and he gave warning that unless claims were more moderate this year, employment would suffer.

The new service would help industry's efficiency, as well as cutting the time spent by hauliers trying to find return loads and to improve the loads.

BRS says that a haulier can spend up to five hours telephoning potential customers.

There are 125,000 transport operators in the country, all phoning round "looking for back loads". The costs involved here, says BRS, are "incalculable".

Unctad talks

Talks began yesterday in Geneva on what are hoped will be the final details of the Common Fund of the United Nations Conference on Trade

Danish orders up

New orders for Danish industry in April rose 19 per cent at current prices above the level of April last year, following a 16 per cent year on year gain in March, the statistics bureau in Copenhagen says.

Japan imports more

Japan's imports of manufactured goods rose 35.8 per cent last year to \$28,800m (£12,458m) from \$21,200m in 1978, the Japan external trade organisation in Tokyo says.

## £40m order for British Aerospace

By Arthur Reed  
Air Correspondent

British Aerospace announced yesterday that it has landed the first order for the four-jet 146 airliner. Six of the aircraft will go to the Argentinean airline, Lineas Areas Privadas Argentinas (LAPA), in a contract worth initially around £40m.

The order is a vital one as the project has been plagued by cancellation rumours since the past. The feeling in some parts of the world aerospace industry was that, with fuel costs escalating, the aircraft was no longer a moment to market a small airliner, with between 70 and 100 seats, with four engines.

Other airlines are expected to take increasing interest in the project now that LAPA has opened the order book.

The LAPA Argentine order is for three aircraft initially, two series 100, each with 80 seats, for delivery in September and October 1982, and one series 200, 100-seater, for delivery in March, 1983. Three more aircraft, all series 200s, are on option to buy, with deposits paid.

The 146 is being assembled at the Baddfield, Herefordshire, works of British Aerospace from parts made at other BA factories, and aerospace companies in the United States and Sweden.

The first set of wings arrived from the Avco company in the United States earlier this week, and the first centre fuselage is expected to arrive from BA's factory at Filton, Bristol, today.

## Interest rates and strong pound attract big capital inflows

By Caroline Atkinson

High interest rates and a strong pound for the pound attracted large capital inflows into Britain in the first three months of this year.

A surplus of about £1,000m on the capital account of the balance of payments accumulated in the first quarter of the year according to the official balance of payments figures published yesterday. This was more than enough to cover the deficit of £586m on the current account.

Investment trade, including tourism, picked up from the final three months of last year. There was a sharp upturn in the number of tourists visiting Britain from the depressed level in 1979. But their average spending has not kept pace with inflation and the high exchange rate of the pound.

British going abroad boosted their spending to allow for inflation overseas and a steady increase in British tourists travelling overseas continued in the first three months of this year.

But Britain's net earnings from tourists rose to £182m in the first three months of this year, up from £156m at the end of 1979.

Other parts of the current account on invisibles did not fare so well, with the interest, profit and dividends registering a small deficit as profits payable overseas from the North Sea started to build up.

## Further sharp drop in US car sales

many industry officials and outside analysts expected.

Dealers of domestic and foreign cars marketed about 694,000 new cars in May, down from about 1,041,000 last year. Following the recent pattern, sales of imported cars fell from last year's unusually strong level, with all United States car makers posted sharp declines.

American car makers retailed 496,912 units, off nearly 37 per cent from last year. A Wall Street Journal survey of leading importers showed that the number of foreign cars retailed in May fell more than 22 per cent from a year ago to about

197,000 units, with virtually all main importers suffering sharp drops. In the year ago month, foreign makes retailed about 254,000 cars.

Among domestic car companies, General Motors' sales plunged nearly 34 per cent, Ford almost 14 per cent, Chrysler by 49 per cent and American Motors nearly 39 per cent.

Volkswagen of America Incorporated, which had been posting year-to-year monthly gains, saw a 20 per cent drop in its dealer sales of nearly 1 per cent fewer units than in May 1979. Rebates change little.

## Steel chiefs give evidence to MPs investigating crisis in South Wales BSC task 'like running up a down escalator'

Mr Ian MacGregor, the new chairman of British steel, said yesterday that trying to make a success of the British Steel Corporation was like attempting to run up a down-going escalator.

Mr MacGregor was giving evidence with Sir Charles Villiers, the retiring BSC chairman, and other top steel executives, to a committee of Welsh MPs investigating the crisis facing the steel industry in South Wales.

None of BSC's main rivals abroad had cash limits anywhere near as generous as the £450m set by the Government for this year.

"We are far greater in debt to the Government in this respect than any other steel company in the world and I am aware of that," he said.

BSC's biggest problems had been caused by the Government's following nationalization and government interference by Tories in prices and by Labour in plant closures.

Steel industries in the rest of Europe had been much quicker to see the "writing on the wall" for the industry and slumped down in response.

There was no possibility of BSC making a profit this year. He knew nothing about a target profit of £350m, the chairman of the MP's committee, said had been "banded about". There was no chance of such a profit this year or next year. Falling demand, inflation and Britain's exchange rate added up to a "killer" for BSC.

However if the Welsh industry could become more competitive it could still win new markets abroad.

Mr Abse asked Mr MacGregor whether he felt "handcapped" in his ability to deal with the steel unions in view of his past experience and present conditions of employment.

"There is nothing more cruel than employing people in an enterprise which is not viable," he added.

He added that the performance criteria by which he could earn as much as £115m as BSC chief had not yet been finalized.

Mr Abse had suggested that social considerations should be included in the criteria—or Mr MacGregor might find it "impossible" to achieve BSC's financial targets by cutting manpower still further.

In reply to an accusation from Mr Ian Evans, Labour MP for Aberdare, accusation that he was taking "a butcher's axe" to steel industry in Wales, Mr MacGregor said: "Instead of a butcher's axe, I would suggest we are using a pruning knife to remove roses to get a better growth."

But he said that BSC would have to "examine very carefully" the assumptions it had made about future prospects last autumn in the light of subsequent market conditions.

He defended his use of the McKinsey management consultancy to review how BSC was set up "to make sure we have the most efficient use of the people concerned".

Mr Robert Scholey the chief executive, denied that he had told a December meeting with the steel unions that closures

were taking place in Wales rather than Scotland "for political reasons".

He had simply said that the industry faced shrinking demand and it was "a matter of robbing Peter to pay Paul".

Teachers became heated when Mr Abse accused BSC of a "total lack of sensitivity" in not telling the Welsh Office in advance about the many redundancies in South Wales announced in the winter.

Labour MPs claimed that only days before the announcement was made, Mr Nicholas Edwards, the Secretary of State for Wales had painted a "rosy picture" of the prospects at Llanwern and Port Talbot to the Commons Welsh Grand committee.

A 20-minute argument over the main grand committee of talks between BSC and the Welsh Office last winter. Culminated in Mr Abse telling a Welsh Office official to stop "interfering" with the committee by conferring with one of the witnesses.

Sir Charles insisted Mr Edwards had been kept aware of the general picture. But Mr Abse said he refused to believe Mr Edwards could possibly have had any idea conveyed to him of the enormity of the situation that was about to open up.

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## Markets

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## Honda plan to expand in Belgium and Italy

Honda Motor Co of Tokyo is planning to expand motorcycle production capacity in Belgium and Italy.

It is building about 100,000 motorcycles a year at its wholly owned Belgian subsidiary, Honda Benelux NV in Aalst, while an Italo-Japanese joint company, IPA Industries SPA in Atezza, is assembling about 18,000 motorcycles a year.

Honda refused to elaborate on expansion plans, but said it wants to raise the local content of the motorcycles.

The company said it had no plans to start producing cars in Europe other than a new Honda car to be produced in Britain jointly with BL.

### Investment rises

Net inflow of foreign investment in enterprises in Australia, excluding undistributed income, rose to \$AUS 360m (about £178m) in the first quarter of 1980 from the previous quarter's downward revised \$AUS 294m, preliminary bureau of statistics figures show.

### US price of beef

The United States Federal Trade Commission in Washington is conducting a broad anti-trust investigation of the United States beef industry. The commission believes that supermarket chains may be charging "excessive retail prices for beef" and some companies may have engaged in price fixing and manipulation.

### Bonn car recession

West Germany's car industry is beginning to feel the chill of recession. Official figures show production in the first four months this year was 6 per cent down from a year ago at 1.35 million cars while sales were almost 10 per cent down at 959,200.

### Japan curbs loans

Japanese banks have been told by the finance ministry in Tokyo to restrain lending to developing countries through syndicated loans to an average 40 to 50 per cent of total loans, banking sources say.

'Oil companies who benefit most from the centre should fund it'

## Aid for diving school to be phased out

The Government has told the offshore oil industry it is to phase out the £800,000 a year it pays to run the Underwater Training Centre at Fort William, Invernesshire, which passes out 100 deep sea divers a year.

The centre was set up by the Manpower Services Commission five years ago in response to concern over the number of divers who were losing their lives in developing North Sea oil.

Despite an increase in the number of divers operating offshore using saturation diving techniques, involving their living under high pressure conditions and breathing a mixture of oxygen and helium, accident rates in recent years have fallen.

The centre is partially responsible, the offshore industry believes, for the improvement in the safety record. But increased experience and greater knowledge of North Sea conditions has also played an important part.

After five years of government funding, however, the Department of Energy, believes that the time has come for the industry to pay the cost of training the divers.

It is awaiting a proposal from offshore companies to start providing the finance to train saturation divers from around the end of the month, with all government aid for the deep sea school being brought to a close within the next couple of years. Finance for shallow diving is expected to continue.

The decision to cut off aid to the Fort Williams school is part of the general programme of spending cuts introduced

by the Government to reduce the public sector borrowing requirement. The department believes that the oil companies who use the divers should pay for their training.

Mr Hamish Gray, minister of state for energy, said yesterday: "Government has already made a substantial contribution towards the establishment and running of the Fort William Training School. The main beneficiaries are the oil companies and it is only right that over a period they should take over the funding of it. The industry appears to accept its responsibility and I do not envisage any difficulty in achieving an easy transition."

Difficulties, however, are being encountered. Oil industry representatives do not believe that if the school ceased to exist they would be short of divers. Competition to supply divers is high, the money they earn is good, and there is no shortage.

What would happen if Fort Williams were to close is what the number of British divers used in the United Kingdom and Norwegian sectors of the North Sea, would fall.

The oil companies pay the going rate for divers supplied by contractors and do not see why the contractors should not pay for their training themselves. The oil industry, would, however, recognize that the contractors had to pay for training in the rates they paid.

Difficulties, however, are being encountered. Oil industry representatives do not believe that if the school ceased to exist they would be short of divers. Competition to supply divers is high, the money they earn is good, and there is no shortage.

of money which is required for training. The oil companies offer to pay for the school through higher rates, does not seem good enough.

The companies appear to have accepted with reluctance that they may have to pay for the future training of a group of men who are essential to their operations.

Nevertheless, the attitude of the department, in view of the lives at stake and the amount of revenue produced from offshore oil, has appeared to be penny-pinching.

Until the Fort William school was set up, there was no centre anywhere in the United Kingdom for the training of deep sea divers. Had it not been created there would have been the chance either that inadequately trained divers would have been recruited or that the majority of divers would have been foreign nationals.

Oil industry men argue that the way to improve standards is through regulations on training. They have no objection to paying for the extra rates that increased regulations would imply, but that is essentially different to paying training of personnel supplied by a contractor.

The irony of the government's decision to phase out money for Fort Williams is that the Norwegians have just opened a school for divers heralded by the industry as the most important single contribution to increased safety in diving so far made by the Norwegian authorities.

Nicholas Hirst

## Yugoslavia praised by OECD

From Peter Norman

The Organisation for Economic Cooperation and Development today awarded high marks to Yugoslavia for the way in which the country's economy was managed in the latter years of President Tito's administration.

But it warned his successors that they would have to adjust economic and social goals to the less favourable world economic environment in drawing their plans for the country's economy in the years between 1981 and 1985.

Yugoslavia's achievement has been to keep economic growth at a high annual level of more than 5 per cent since 1973, despite the oil crisis of that year and the associated decline in the growth of world trade.

The OECD noted that this economic growth record has caused some strains in the economy, such as inflation running at a year on year rate of 23 per cent and a big increase in the country's current account balance of payments deficit to \$3,400m last year. But in their annual report on Yugoslavia the OECD's economists today said they expected stabilization measures introduced by the government in Belgrade will produce some positive results in the course of this year.

## Former EMI engineers launch medical scanner

By Bill Johnstone

A small company, Meditech Engineering, set up by former EMI design engineers from EMI medical is almost ready to market a medical scanner which it believes will compete with the best in Europe.

The company was formed in February, 1979, by two EMI engineers. After frustrating negotiations with financiers in the city and government, the engineers won backing from private sources which they are reluctant to disclose.

The company is now 10 strong, largely formed from the medical electronics group of EMI and is operating from a manufacturing base in St Albans.

Engineers leaving a company and going it alone is not in itself unusual. What is surprising is that those at Meditech have chosen a market which has been the cause of huge losses already sustained by companies several hundreds of times their size.

The company's move comes in the wake of the sale of EMI's medical interest in scanners to its American rival General Electric (GE).

Under the terms of that agreement which lost GE \$27.5m, EMI withdrew from the scanner market which it had effectively created 8 years before.

EMI gained considerable prestige through the invention of the scanner, of EMI who was awarded the Nobel Prize for technology.

But modest though the operation of the St Albans based Meditech is, the ex-EMI designers believe they have a product which is about sixty per cent cheaper than their nearest rival and is half as cheap to operate.

The engineers intend to pay a royalty to EMI for the benefit of any EMI scanner technology they use in their design. The board of the company consists of two of the original founders of the group, a surgeon and a representative of one of their bankers.

The engineers have been heavily involved in research and are finishing prototype production experiments with a view to full production next year.

Meditech is making its presence felt at Olympia, at the British Hospital Medical Exhibition, and at Harrogate at the Radiographers' annual conference. This not only reflects the company's confidence but also the fact that budgets will be allocated this year for purchases next.

Depending on sales, Meditech intends to produce 10 to 25 systems a year which will retail at £150,000 each.

## EEC delays damaging textile trade in Britain

By John Huxley

British textile leaders have accused the European Commission of often failing to prevent serious damage to the industry by taking too long over complaints about low-cost imports.

They say that the trade regime establishment under the GATT Multi-Fibre Arrangement has worked reasonably well in limiting the growth of imports from countries such as Hong Kong, South Korea and India.

But exporters have eagerly exploited every opportunity open to them.

Mr Leonard Regan, president of the British Textile Confederation which represents trade associations and trade unions said that problems had also been caused by the bunching of imports early in the year.

He criticized the commission's "slowness in obtaining new restraints where necessary, under the special mechanism contained in the agreements". Moreover, when quotas are introduced the high level of trade which the exporting countries have been allowed to build up.

Mr Regan said in the confederation's annual report: "The global ceilings intended to limit our total low cost imports of particularly sensitive products have been repeatedly breached, to an extent sufficient to cause increased disruption on our market". He said this harmed the credibility of the European Community's policy on textiles.

The confederation says that employment fell by about 30,000 to little more than 450,000 last year. In recent months job losses have increased.

Mr Regan, who is also chairman of Carrington Velle, says that the time taken by the commission in agreeing to unilateral quotas on fibre imports into the United Kingdom is "totally unacceptable". The agreed quotas also proved inadequate.

## Smaller companies could follow French system on pensions

From Mr P. D. Jones

Sir, I can well understand Miss Jean Wilding's point (letters, June 5) about firms going into liquidation. My earlier suggestion for pay-as-you-go insurance between employer and employee is clearly only applicable to larger organizations with a degree of stability. Incidentally, the Civil Service is by no means the only body of this kind: the majority of both public and private employees in this country work for employers large enough to have arrangements of the kind I have suggested.

So far as smaller employers are concerned, there is another possibility, and this is the system adopted in France under which the industry concerned takes overall responsibility for pensions matters covering all the firms operating within it. In the case quoted by Miss Wilding, the publishing industry would now have the responsibility to look after retired former employees, even if the particular firm they worked for no longer exists.

On Miss Wilding's final point, I fully agree that pensioners without indexation are an underprivileged group. The Government, with its clear responsibility for the current level of inflation, is shirking its duty to do something (e.g. index-linked savings bonds) for this unfortunate group of people. Having said this, however, the existence of an underprivileged group is surely no valid reason for attacking others who have made prudent arrangements—particularly, as in the Civil Service case, at virtually no extra cost to the taxpayer.

Yours sincerely, P. D. JONES, Secretary, Council of Civil Service Unions, 19 Rochester Row, London SW1P 1LB, June 5.

From Mr D. C. Bandy

Sir, Contrary to the views of Mr Jones I know of no howls of rage from the "pensions industry" — and I have the privilege of representing a sub-

stantial sector of it. What we have tried to do in our utterances is to educate people in an admittedly difficult area of understanding; we have tried also to bring home to the readers, and others, the realities of financial disciplines and to steer people away from Mr Jones' simplistic belief that "pay as you go" is the palliative for all our ills. This, however, is a broad subject outside the scope of this response, but I will gladly offer Mr Jones a copy of a technical appreciation of the situation in France, so often eulogized as the epitome of that system.

If it is a "howl of rage" for me to say I agree with Mr Jones that the Civil Service is unfairly pilloried in this issue of index-linking (or inflation-proofing) — both terms being open to different interpretations and meanings, as he says, then I am howling. What concerns many of us, is that the Pensions (Increase) Acts 1971/73, have had the effect of extending index-linking throughout the public sector and the Civil Service is only a part of the whole.

Where I disagree most strongly with Mr Jones is his utter contempt of the English language. What he is describing in his letter is a privilege as no more than the most cursory glance at a dictionary will show. What we are discussing is a contractual advantage enjoyed by a comparative few, with a freedom from burdens borne by the others. This is a privilege.

Whether or not such a privilege should exist is a profound matter that neither space nor the tolerance of your readers permits me to develop. Suffice it to record that one's readings of many articles, letters and the like leads to the conclusion that such privilege does not enjoy universal support within our community.

If I may yet offer another "howl of rage", those of us engaged as practitioners are deeply concerned about the insidious effects of inflation upon the end results of all our efforts. Effects over which we can have no control—unless, or

until, people (le such as Mr Jones) accept: priorities within of finite resources. It is a fact that a certain absence of an element of inflation I am sure to be grateful to Mr "solution": we more grateful to tell us how it a residual under works for business exist, how it is chiding industry with a demagogic populism, but no have their s from them etc. as a surprise I learn that those led in the sub- ing familiar w are available items at. We have not been able to survive to our able problems. W some consider. Although private do not enjoy sh ferred to above, is a fact that a ber of them con the pensions of p in the financial ability to afford. Lastly, if it believes that it has bought his ed (or index-lit let him test: out into the ma seek to purchase His thought that Acts of Parliame ably fully prov each and every tional scheme is thought unlikely any same Govern not forget, howe an Act does exist (and increasing essential to Security Pension Yours truly, D. C. BANDY, President, The S of Pension Consu Lodge House, Lodge Circus, London E4A 2J May 29, 1980.

## Can Immos penetrate United States and Japanese microcircuit markets

From Mr D. M. Ryan

Sir, Sir Keith Joseph's hesitation about making another £25m of taxpayers' money available to Immos is very understandable. In 1967 Mr Wedgwood Benn, then Minister for Technology, allocated £5m to the National Research Development Corporation for the development of microcircuit production capability in Britain. As I remember it the bulk of the money went to Plessey Ferranti and constituents of what is now the GEC group, the principal British owned companies who were already in the field. It should be remembered that microcircuit technology was already well developed at that time, with Metal Oxide Semiconductors (MOS) already in production and Large Scale Integration (LSI) already on the horizon.

It was stated at the time that the £5m was a loan, to be repaid from profits as they accrued to the companies. I have often wondered what happened to this money. I believe a firm factory was put up at Widdow in Essex, but it never went into production of microcircuits, as by then the average price per circuit had plummeted from over £1 to 5s 6d. In 1970 D Jones, the managing director of Mullard, wrote to you, sir, complaining bitterly about imports at giveaway prices, particularly from the Far East.

In your issue of May 27 Kenneth Owen writes of a predicted market of £500m for the 64K dynamic RAM by 1984. In contrast the April issue of "Electronics Industry" reviews an independent market study of the European market for microcircuit memories, which puts the dynamic RAM sector at £100m in 1985. These two forecasts can only if the balance of between the US and I find it believe that the nology is so far they are going these two marks une. It also puts mark against Dr to £95m net expo

If history is a by, Sir Keith sh temptation to money after bud getting something essential to Briti capability, the should be set defence budget and not disguised cial venture. Yours faithfully, D. M. RYAN, Technometrics Ltd, Manor House, Moreton, Dorchester DT2 8

# Mowlem

International Construction, Mechanical Engineering and Manufacture and Distribution of Instruments and Products for the Construction Industry.

### Salient points from Mr. Philip Beck's statement to shareholders

Shareholders' Funds increased by 33%.

Dividend increased by 10%.

Dependence on the UK public sector construction market reduced. Development projects undertaken in partnership with institutional investors.

Wide spread of overseas operations maintained.

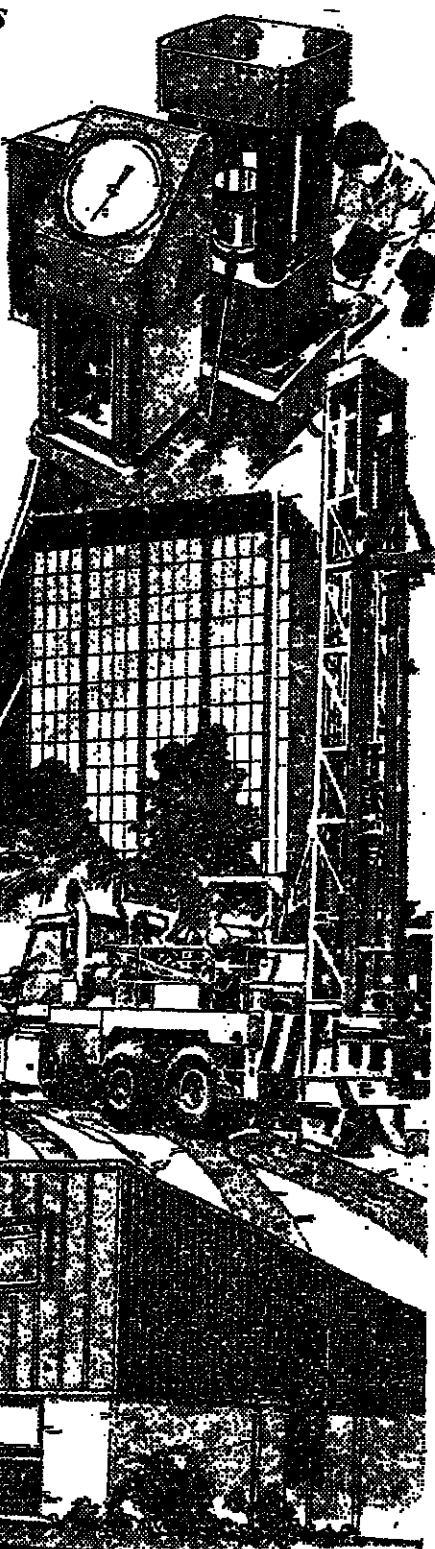
Good prospects for the construction laboratory company.

The Company has a strong balance sheet and a forward order book of £206 million. On present expectations results in 1980 will be broadly in line with 1979.

Summary of Results	1979 £m	1978 £m
Group Turnover	190.2	163.7
Group Profit before Taxation	5.7	5.9
Group Profit after Taxation	3.9	4.4
Dividends	1.3	1.1

Earnings per Share	25.0p	27.9p
Shareholders' Funds per Share	213.9p	160.3p
Net Assets	£37.5m	£26.8m

Copies of the Annual Report, containing the Chairman's Statement in full, are obtainable from The Secretary, Westgate House, Ealing Road, Brentford, Middlesex. The Annual General Meeting will be held on 2nd July, 1980.



## BRITISH HOME STORE

Highlights from the Statement by the Chairman, Sir Jack Callaghan

- Increased merchandise sales volume
- Improved pre-tax profit margin on sales excluding VAT
- Eight new stores opened — new jobs in many areas
- Major investment programme to maintain growth through 198
- Increased dividend provides sound base for progressive distribution policy

# BHS

	52 weeks to 23rd Feb 1980 £000	52 weeks to 31st March 1979 £000
Sales (inclusive of VAT)		
Merchandise	314,932	247,185
Food	63,460	58,850
Restaurant	22,863	18,157
Total	401,255	324,192
Sales (exclusive of VAT)	366,346	307,324
Profit before taxation	41,829	33,578
Profit after taxation	30,761	22,608
Dividend per ordinary share	8.75p	7.0p
Earnings per ordinary share	30.0p	22.1p

## BRITISH HOME STORE

هكذا من الأصل



The man concerned will receive an annual salary of at least £18,000 plus perks which could take it to £25,000. He will also take on a taxonomic role in the company's relations problems. Not the least of them is dealing with its rival, the Banking Insurance and Finance Uplift, which last night was as ignorant of the name of its future adversary as the rest of it—though not in the case of RIFU blissfully.

The name of the managing director chosen by Tozer Kemley and Millbourn (Holdings), the international trading and investment group, for its TKM Foods subsidiary, is Mr Paul Gouvard.

**David Hewson**











## FINANCIAL NEWS

## Leigh Interests beats its forecast with £1.1m

By Peter Wilson-Smith

Leigh Interests, the Black Country waste disposal experts, raised profits by two-thirds to £1.1m before tax in the year to March 31, beating the 51m forecast made just before the year end when Leigh raised £2.53m with an issue of convertible loan stock.

As forecast, the final dividend is 4.81p gross leaving the year's total up by 13 per cent at 7.14p. At the net level the dividend was covered just over twice by earnings of 10.6p a share compared with 8.0p in 1978-79.

Leigh's waste disposal activities contributed a larger share

of profits in 1979-80, accounting for 80 per cent of the group total. This division was also responsible for £4.2m of the £5.3m increase in group turnover to £21.2m.

The two wholly-owned Seal-safe liquid waste processing plants in the West Midlands operated profitably, and Leigh is now building a third plant in Yorkshire. However, Mrs Joan Agar, chairman, warns that the downturn in industrial activity was beginning to affect business in the final quarter of the year. The Seal-safe plant jointly owned with Tunnel Holdings was short of work and

made a loss, though smaller than the previous year. Leigh's other activities produced improved profits from the Ford motor dealership, which has now been moved to a site in Perry Barr. Higher profits from the building supplies companies were largely cancelled out by losses from the extracting business, where management has been changed. After spending £2.6m on waste disposal sites and processing plant, Leigh ended the year with borrowings equal to 14 per cent of shareholders' funds, excluding the cash raised from the convertible issue.

## Shares rise as Pegler results cheer market

By Peter Wilson-Smith

After seeing profits fall by a quarter in the first half, Pegler-Hatterley's results cheered the market. The company's 1979-80 profits were £1.78m, lower at £1.24m before tax. The outcome was at the top end of market expectations and, combined with a small increase in the final dividend to put the total up by 6 per cent to 13.6p gross, was enough to push the shares 11p higher to 111p.

However, the outlook for the current year is uncertain. Pegler says it is impossible to forecast, but order intake has slackened appreciably since April. The group has also recently announced redundancies in its building products division—one of the few areas to increase profits in 1979-80—where a fifth of the workforce at Pegler's Doncaster will lose their jobs. There are also believed to be plans for redundancies in other parts of the group.

In contrast to many manufacturing companies, Pegler-Hatterley entered the recession with a strong balance sheet. Despite capital spending of



Sir Peter Matthews, chairman of Pegler-Hatterley.

£4.7m in 1979-80 the cash flow was held to less than £3m and year-end net debt was equivalent to 6.5 per cent of shareholders' funds.

Last year's downturn in profits was partly accounted for by the engineering strike and by the rise in interest charges from £136,000 to £516,000.

The main influence here was the downturn in a small trading loss from the valve division which exports about two-fifths of sales and has suffered from the strong pound. Particularly hard hit was the stainless steel valve side selling to the process plant and petrochemical industries where competition is fierce.

The building products division increased profits and so did the merchanting division which was also the only part of the group to increase volume sales. For the group as a whole, turnover rose from £98.5m to £109.95m. The downturn in trading profits was partly offset by higher profits from associated companies which had a very strong second half. The main impetus behind this increase from £4.5m to £4.94m was the South African company, Consolidated Brassfoundry Holdings, in which Pegler has a 38 per cent stake. Selling plumbings and engineers' fittings, it has done well in a booming South African economy.

## Brooke Tool prepared for boom in the US

The serious fire at Brooke Tool's Boxford Machine Tools factory in May, 1979, has proved not so much a disaster, but a blessing in disguise. The rebuilding has been laid out to facilitate production of a major new product to be launched in January.

Brooke makes lathes for educational and training use. The new product will also have industrial applications. Brooke Tool has spent about £300,000 on top of the insurance money on the new factory.

Demand for educational and other machine tools is booming in the United States, where the market is still very fragmented. Brooke Tool has just set up a new operation to distribute its products nationally from a New England base. A profit contribution is expected by the September, 1981, year-end.

Back in Britain, Mr David Saunders, the chairman, says the group has just had "a magnificent last ten days" of orders. That includes orders for four large lathes from a "very solid" British intermediary for clients in Libya, Iraq and Egypt.

The group sees more scope for growth now in the cutting tool side, and especially in mining tools, than in machine tools, which now provide over half its turnover. The outlook is healthy.

Interim pre-tax profits to March 31 were £320,000 against £212,000, in spite of the engineering and steel strikes. Turnover rose from £3.26m to £5.27m.

Interest costs rose substantially to £107,000 compared to £45,000 a year earlier. The interim dividend has gone up a fifth, to 2.07p gross, suggesting a prospective yield for the year of 9.5 per cent with the shares now at 52p.

## Rhône Poulenc

This year will be slightly more difficult for Rhône Poulenc SA of France than 1979, according to M Jean Gandois, the chairman. In 1979, the company made a net group profit of Fr791m on turnover of Fr33.8bn.

SUMMARY BALANCE OF PAYMENTS									
	1978	1979	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	1980	
Visible trade (balance)	-1493	-3312	-1538	-436	-493	-745	-723		
Invisible (balance)	+3345	+3274	+746	+758	+882	+676	+872		
Services	+823	+153	+225	+55	+172	+189	+8		
Interest, profits and dividends	-1911	-2434	-553	-574	-654	-653	-558		
Transfers	+2287	+983	+420	+129	+410	+34	+306		
Total	+744	-2319	-160	-357	-83	-717	-417		
Current balance	+764	-2319	-1584	-327	-88	-516	-586		
Investment and other capital transactions	+3897	+1779	+580	+916	+432	+122	+105		
Balance of official financing	-1126	+1711	+685	+758	+246	-30	+288		
Allocation of SDR's Official financing	-	+195	+195	-	-	-	+180		
Official reserves (drawings on, +; additions to, -)	-2323	-1059	-955	-68	-152	+116	-346		
Other official financing	-1203	-847	+75	-690	-148	-86	-232		

## ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)  
NOTICE TO HOLDERS OF ORDINARY SHARE WARRANTS TO REDEEM PAYMENT OF COUPON NO. 93

With reference to the notice of declaration of dividend advertised in the press on 3rd June, 1980, the following information is published for the guidance of holders of share warrants to bearer.

The dividend of 50 cents per share was declared in South African currency. South African non-resident shareholders' tax at 6.842 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 43.158 cents per share.

The dividend on bearer shares will be paid on or after 25th July, 1980 against surrender of coupon No. 93 detached from share warrants to bearer as under:

- (a) At the offices of the following continental paying agents:
- Credit du Nord, 6-8 Boulevard Haussmann, 75009 Paris.
  - Banque Bruxelles Lambert, 2 rue de la Reine, 1000 Brussels.
  - Société Générale de Banque, 3 Montagne du Parc, 1000 Brussels.
  - Swiss Bank Corporation, 1 Aeschenvorstadt, Basle 4002.
  - Banque Internationale a Luxembourg S.A., 2 Boulevard Royal, Luxembourg.
  - Union Bank of Switzerland, Bahnhofstrasse 45, Zurich.

Payments in respect of coupons lodged at the office of a Continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the Continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the Continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated Limited, 40 Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency as follows:-

(i) in respect of coupons lodged prior to 11th July, 1980 at the United Kingdom currency equivalent of the rand currency value of their dividend on 13th July, 1980 or

(ii) in respect of coupons lodged during the period 11th July, 1980 to 16th July, 1980 both days inclusive at the United Kingdom currency equivalent of the rand currency value of their dividend on 21st July, 1980 or

(iii) in respect of coupons lodged on or after 17th July, 1980 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Bearer Reception Office, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such declaration is made, the net amount of the dividend will be the United Kingdom currency equivalent of 35 cents per share in terms of sub-paragraph (i) above arrived at as under:-

	South African Currency Cents Per Share
Amount of dividend declared	50.00
Less: South African non-resident Shareholders' tax at 13.684%	6.842
	43.158
Less: U.K. income tax at 16.316% on the gross amount of the dividend of 50 cents	8.158
	35.00

For and on behalf of  
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED  
J. C. Green-Smith  
London Office,  
40 Holborn Viaduct,  
EC1P 1AJ.

5th June, 1980

Note: The Company has been requested by the Commissioners of Inland Revenue to state: Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 16.316% instead of the basic rate of 30% represents an allowance of credit at the rate of 13.684%.

## Getty Oil bids for ERC

## International

Getty Oil Company of Los Angeles has offered to acquire ERC Corporation for \$97 a share in a transaction Getty estimates will cost it a net cash payment of about \$370m. (about £243m).

ERC chairman, Mr Sanford Miller, said in Kansas City, Missouri, that he welcomes the Getty proposal and will recommend that directors accept it, when they meet to discuss it.

ERC is a holding company that owns one reinsurance and three life insurance companies. The acquisition would mark Getty's full-scale entry into the insurance business, although it was involved in a small casualty

insurance operation through a subsidiary several years ago. Asked to explain the reason for the ERC merger plan, a Getty spokesman said "reinsurance is a growing business that provides financial flexibility without requiring an elaborate and large marketing organization".

He said the move should not be seen as a means to enter the insurance business, although it was involved in a small casualty

The spokesman said Getty plans to devote 70 to 75 per cent of future capital expenditures on petroleum activities even with the acquisition of ERC.

He said ERC's 1979 net income of \$47.5m represented under 8 per cent of Getty's total 1979 net profits of \$604.4m.

ERC's revenues last year totalled about \$536m while Getty's revenues were \$512bn. Getty said it anticipates the tender offer will be effective on or about June 11 after a filing with the securities and Exchange Commission.

The transaction is subject to approval

## German IBM

IBM Deutschland says that results in 1979 were affected by the improved price/efficiency ratio of the company's new products and by the high level of fixed asset investments.

These rose by 25 per cent to DM1.23bn. Finance director Herr Lothar Sparberg said that last year's spending programme necessitated the disposal of security holdings, which fell to DM813.25m from DM1.27bn a year earlier.

## Dai-ichi Kangyo Bank

Dai-ichi Kangyo Bank, of Tokyo, says it has acquired a 50 per cent stake in Japan White Industries Acceptance Limited (JAAL), an Australian financing firm, which has increased its share capital to A\$15.5m from A\$500,000.

Dai-ichi Kangyo Bank acquired direct from JAAL three quarters of the shares issued by JAAL, totalling A\$1m, to increase its share capital, the Japanese bank said.

Endeavour Resources suspended on May 13 by Melbourne Stock Exchange, has been re-listed, an exchange spokesman said.

Endeavour was suspended pending clarification of certain aspects of moves for control of White Industries, the Sydney-based coal miner.

The Exchange said Endeavour, which acquired 43.5 per cent of White from Bond Corporation Holdings, has been re-listed as it is now bidding for 20.1 per cent of White instead of just the 7.5 per cent.

White, however, also suspended on May 13 in Sydney for the same reason, remains suspended.

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## Interest charges Wigfall results

By Michael Clark

High borrowing costs of recent recipe for success, by the latest preliminary from Henry V.

Pretax profits of vision rental and retailer tumbled to just over the £1m year to March 29.

This is in spite of turnover from £44.2m producing profit of £9.3m. However, this was a cation up from £3. and a staggering increase from £1.86m.

Nevertheless, the chance was much better market experts had dicting and as a shares raced ahead partly on the basis of a strong first dividend gross, making a 10

Mr Michael Abbot appointed chairman blames high borrowings country's recession group's predicament. He said the re commitment to overdraft which around £13m.

The group is cur going the rational indicated in the year which included being reduced to c directors' a out of 18 non-pro outsiders.

So this coupled back in consum leaves the chairman to give any indic current year's trad likely to be far

Suggestions that may be vulnerable following the attempt by Comet in 1978 are dismissed. He said it not been approach on, else, despite ours.

But even if Mr reduce borrowings as is his aim in year, trading remain with margins conti pressure. The ste year and higher u the group, c pically-based in d areas of the north

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## Avon expects dip in profit

Avon Products of New York says it expects lower 1980 second quarter earnings. This is because of a decline in United States sales and the negative impact from foreign currency fluctuations. Higher total sales for the period are expected.

Avon in the year ago second quarter earned \$55.6m (about £26m) on sales of \$566.5m. The company said May sales figures of cosmetics, fragrances

and fashion jewellery sold through its person-to-person distribution system in the United States were below expectations and United States sales for the second quarter will be lower than in the year ago period.

Avon said, however, it was encouraged by the performance of its overseas business, which is showing strong sales gains compared with last year.

## Ennia in Spanish deal

Ennia NY of Holland, says it has agreed with Banco de Granada to take a stake in the Madrid-based insurance firm Ennia SA which will total over 80 per cent after a share place ment with Ennia.

The remaining Galicia share holders are scattered. It said the transaction will cost more than 300m pesetas and has still to be approved by the Spanish and Dutch authorities.

Galicia which is involved mainly in indemnity insurance but also in life assurance, had

premium income last year of over 2bn.

Revenues of other activities totalled £39m and profits in this sector remain under pressure because of high interest rates, Ennia said.

The company said it maintains earlier expectations of higher profits and earnings per share this year, on capital increased by about 12 per cent.

Net profit in 1979 was £159.7m and earnings per share £125.97.

Ennia took up £176m of long-term loans in the quarter.

## Diamond move over merger

Diamond International Corporation of America says it is holding certain preliminary discussions seeking to end its takeover battle with Cavenham Development, a subsidiary of Cavenham Limited.

The company's statement was contained in an amendment to its schedule 14-D9 with the Securities and Exchange Commission.

The company stated: "No negotiation is being undertaken, nor is underway by Diamond in response to the tender offer by Cavenham

representatives of Diamond are having certain preliminary discussions which might result in a tender offer by another company, financing for a tender offer by Diamond or a standstill arrangement with Cavenham Development and its affiliates."

The company also said that certain preliminary discussions have been terminated which might have resulted in the issue of securities by Diamond.

Attorneys for Diamond International refused further comment.

## Pleasurama climbs 24 per cent

With turnover rising from £5.26m to £5.8m, pretax profits of the Pleasurama entertainment and amusements group have increased by 24 per cent to £1.53m. The interim dividend goes up from 1.18p to 2.85p gross to reduce disparity between payments.

The board comments that because of the seasonal nature of some of the group's activities, the results for the first half-year are not necessarily indicative of the full year's results. It is too early to make a forecast.

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The board comments that because of the seasonal nature of some of the group's activities, the results for the first half-year are not necessarily indicative



1979-80	Low Bid	High Offer	1979-80	Low Bid	High Offer	1979-80	Low Bid	High Offer	1979-80	Low Bid	High Offer	1979-80	Low Bid	High Offer	1979-80	Low Bid	High Offer
Bid	Offer	Bid	Bid	Offer	Bid	Bid	Offer	Bid	Bid	Offer	Bid	Bid	Offer	Bid	Bid	Offer	Bid



ACCOUNT DAYS: Dealings Began, June 2. Dealings End, June 13. § Clearings Day, June 16. Settlement Day, June 23.  
§ Forward bargains are permitted on two previous days

§ Forward bargains are permitted on two previous days.

[illegible]

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1. *Journal of the American Medical Association*, 1997; 277: 1033-1036.

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Applications \$55.0m. Total out-  
standing \$5.0m.



**Pete:**

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